

**AGENDA**  
**REGULAR MEETING OF COUNCIL**  
**November 5, 2018**  
**6:00 PM**

1. ROLL CALL
2. READING OF MINUTES
3. REPORTS & COMMUNICATIONS FROM MAYOR & HEADS OF DEPARTMENTS AND INTERESTED PARTIES AND CITY CLERK'S NOTES:
  - 3.A TAX ASSESSOR'S RESULTS REPORTS FOR HEARING DATES HELD OCTOBER 17 AND OCTOBER 18, 2018.  
  
[Tax Assessor's Results Report 10-17-18 and 10-18-18.pdf](#)
  - 3.B ANNUAL FINANCIAL REPORT FOR THE CITY OF SCRANTON YEAR ENDED DECEMBER 31, 2017 PREPARED BY SB & COMPANY, LLC.  
  
[Annual Financial Report for year ended December 31, 2017.pdf](#)
  - 3.C AGENDA FOR THE BOARD OF ZONING APPEALS MEETING TO BE HELD NOVEMBER 14, 2018.  
  
[Zoning Board Meeting 11-14-18.pdf](#)
  - 3.D SINGLE TAX OFFICE CITY FUNDS DISTRIBUTED COMPARISON REPORT 2017-2018 YEAR TO DATE OCTOBER 31, 2018.  
  
[Single Tax Office City Funds Distributed October 2017 - 2018.pdf](#)
  - 3.E MINUTES OF THE SCRANTON SEWER AUTHORITY BOARD MEETING HELD AUGUST 16, 2018.

4. CITIZENS PARTICIPATION

5. INTRODUCTION OF ORDINANCES, RESOLUTIONS,  
APPOINTMENT AND/OR RE-APPOINTMENTS TO BOARDS &  
COMMISSIONS MOTIONS & REPORTS OF COMMITTEES:

5.A MOTIONS.

- 5.B AUTHORIZING THE TRANSFER OF A VACANT PARCEL OF PROPERTY OWNED BY THE CITY OF SCRANTON TO THE LACKAWANNA COUNTY LAND BANK IN ACCORDANCE WITH THE INTERGOVERNMENTAL COOPERATION AGREEMENT BY AND BETWEEN THE LAND BANK, LACKAWANNA COUNTY, CITY OF SCRANTON AND SCRANTON SCHOOL DISTRICT, PROPERTY MORE COMMONLY KNOWN AS 2935-2937 PITTSTON AVENUE, SCRANTON, PA 18505.

[Ordinance-2018 Transfer Vacant Parcel to Land Bank 2935-2937  
Pittston Ave.pdf](#)

- 5.C AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO ACCEPT AND EXECUTE THE PENNSYLVANIA STATE CLEAN DIESEL GRANT PROGRAM (DERA) GRANT IN THE AMOUNT OF \$128,723.00 TO REPLACE TWO (2) STREET SWEEPERS WITH NEW CLEAN DIESEL STREET SWEEPERS.

[Resolution-2018 Clean Diesel Grant to Replace 2 Street  
Sweepers.pdf](#)

6. CONSIDERATION OF ORDINANCES - READING BY TITLE

- 6.A READING BY TITLE - FILE OF THE COUNCIL NO. 35, 2018 - AN ORDINANCE - AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCRANTON, LACKAWANNA COUNTY, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE ITS FEDERALLY TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2018 (THE "NOTE") IN A PRINCIPAL AMOUNT NOT TO EXCEED TWENTY-TWO MILLION NINE HUNDRED NINETY THOUSAND DOLLARS (\$22,990,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, 53 PA.C.S. CHAPTERS 80-82, AS

AMENDED, REENACTED AND SUPPLEMENTED, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE "ACT"); FINDING THAT A PRIVATE SALE BY NEGOTIATION IS IN THE BEST FINANCIAL INTERESTS OF THE CITY; DETERMINING THAT SUCH NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE CITY; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS TO FINANCE A PROJECT OF THE CITY WHICH CONSISTS OF, AMONG OTHER THINGS: (1) FUNDING ALL OR A PORTION OF THE CITY'S UNFUNDED ACTUARIAL ACCRUED PENSION LIABILITY; AND (2) PAYING THE COSTS AND EXPENSES OF ISSUANCE OF THE NOTE; SETTING FORTH THE REASONABLE ESTIMATED USEFUL LIFE OF THE PROJECT TO BE FINANCED BY THE NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE CITY; FIXING THE DENOMINATION, DATED DATE, INTEREST PAYMENT DATES, INTEREST RATE, REDEMPTION PROVISIONS AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE CITY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH NOTE TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH NOTE, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT FOR SUCH NOTE WHEN DUE; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH NOTE; AUTHORIZING THE EXECUTION OF ONE OR MORE INVESTMENT AGREEMENTS BY SPECIFIED OFFICERS OF THE CITY (IF APPLICABLE) AND THE PURCHASE OF CERTAIN U.S. TREASURY OBLIGATIONS OR ANY OTHER SECURITIES OR INVESTMENTS IN CONNECTION WITH THE PROJECT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE CITY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE DEBT TO BE EVIDENCED BY SUCH NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE CITY, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE CITY TO DELIVER THE NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; PROVIDING WHEN THIS ORDINANCE SHALL

BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT HERewith.

[Ordinance-2018 TAN 2018 \\$22,990,000 Accrued Pension Liability.pdf](#)

- 6.B READING BY TITLE - FILE OF THE COUNCIL NO. 36, 2018 - AN ORDINANCE - AUTHORIZING THE ISSUANCE OF A TAX AND REVENUE ANTICIPATION NOTE, SERIES OF 2019 IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$12,750,000; PROVIDING FOR THE DATED DATE, INTEREST RATE, MATURITY DATE, REDEMPTION PROVISIONS, PAYMENT AND PLACE OF PAYMENT IN RESPECT OF THE NOTE; ACCEPTING THE PROPOSAL ATTACHED HERETO AS EXHIBIT "B" FROM THE FINANCIAL INSTITUTION NAMED THEREIN FOR THE PURCHASE OF THE NOTE; NAMING A SINKING FUND DEPOSITARY/PAYING AGENT; AUTHORIZING THE PROPER OFFICERS OF THE CITY TO EXECUTE AND DELIVER THE NOTE AND CERTAIN OTHER DOCUMENTS AND CERTIFICATES IN CONNECTION THEREWITH; AUTHORIZING AND DIRECTING THE PREPARATION, CERTIFICATION AND FILING OF THE NECESSARY DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT OF THE COMMONWEALTH OF PENNSYLVANIA; SETTING FORTH A FORM OF THE NOTE.

[Ordinance-2018 TAN 2019 \\$12,750,000.pdf](#)

## 7. FINAL READING OF RESOLUTIONS AND ORDINANCES

- 7.A NO BUSINESS AT THIS TIME.

## 8. ADJOURNMENT

# TAX ASSESSOR'S REPORT

Hearing Date: 10/17/18

Time	Name	Boro/Twp.	Pin Number	Attorney	Proposed/Current Assessed Value	After Appeal Value
10:00 AM	SAITA CARMINE & LINDA	SCRANTON	1240901001402		22000	22000
10:10 AM	KANTON PETER P & MARY CAROL	SCRANTON	17705010018		35200	28200
10:20 AM	MARRA JOSEPH & PATRICIA	SCRANTON	13517040017		20000	18000
10:40 AM	REGAN FRANK M III & OPSASNICK	SCRANTON	15636020012		34900	25600
10:50 AM	EASTMAN JAMES&JAMES JR&WILLI	SCRANTON	13416010034		5300	5300
11:00 AM	MUTA JOHN H & CATHERINE G	SCRANTON	1341504000139		24340	24340
11:10 AM	PETERSON ERIC R& SHERRI LYNN	DALTON	0681204001000		22000	22000
11:10 AM	CIANCI JOSEPH & JOAN	DUNMORE	1470503002905		44000	25000
11:20 AM	KLEM MARY BYRNE	SCOTT	0620401001401		10000	8500
11:30 AM	IORELLI JON R & WHITE KINDRA	DICKSON CITY	1120402000107		38800	22300
11:40 AM	DRAZBA JOSEPH&KATULA J	SPRINGBROOK TWP	21002010001	THOMAS COMERFORD	79450	49000
11:50 AM	KASPRISKIE BRETT	THORNHURST TWP	24703010002		69800	55000
12:00 PM	PERRINS RAYMOND G JR	THORNHURST	24601010024		16000	16000
12:10 PM	LYDON CARRIE L-PETTY RAY J ETA	ROARING BROOK	1600102000563		35000	35000
12:15 PM	LYDON WAYNE	BLAKELY	1031801000405		23269	23269
12:20 PM	KOSAKEVITCH AMBER & JENNIFER	ARCHBALD	09402030046	JOHN LALLEY	16000	16000
12:30 PM	GROVE CONSTRUCTION	JEFFERSON TWP	16102030001	MARK CONWAY	27250	24250
12:40 PM	BRAVO JOHN AND DOROTHY	OLYPHANT	11410020008		11300	6300
12:40 PM	BRAVO JOHN C & DOROTHY A	OLYPHANT	11410020010		14000	11000
12:50 PM	A PLUS POWERWASH PROP HOLDI	TAYLOR	15517040002	GLENN CASHURIC	47700	44700
1:00 PM	OVALL PRIMITIVO & CHRISTINE	SCRANTON	15705C0N035	ERNEST SPOSTO	17000	13000
1:00 PM	CUTLER MICHAEL & SHEILA	SCRANTON	15705C0N052	ERNEST SPOSTO	17000	13000
1:00 PM	BAINE E&D & N H&BREZACK G B	SCRANTON	15705C0N007	ERNEST SPOSTO	17000	13000
1:00 PM	ROTHSTEIN GUITELLE	SCRANTON	15705C0N013	ERNEST SPOSTO	17000	13000
1:00 PM	KHALIL HASSAN & EVA	SCRANTON	15705C0N019	ERNEST SPOSTO	17000	13000
1:00 PM	LEVY HOWARD M & LEVY CHARLES	SCRANTON	15705C0N026	ERNEST SPOSTO	17000	13000
1:00 PM	CUTLER PHILIP	SCRANTON	15705C0N031	ERNEST SPOSTO	15000	13000
1:00 PM	FLICK ROBERT L JR & KELLY A	SCRANTON	15705C0N038	ERNEST SPOSTO	15000	13000
1:00 PM	EHRENPREIS SCOTT & MAXINE ETA	SCRANTON	15705C0N039	ERNEST SPOSTO	15000	13000
1:00 PM	CONNELL CHARLES A JR	SCRANTON	15705C0N041	ERNEST SPOSTO	15000	13000
1:00 PM	SILVER ELLEN	SCRANTON	15705C0N044	ERNEST SPOSTO	15000	13000
1:00 PM	OBRIEN SHAND	SCRANTON	15705C0N046	ERNEST SPOSTO	15000	13000
1:00 PM	ROBLING JOHN GERALD	SCRANTON	15705C0N048	ERNEST SPOSTO	17000	13000
1:00 PM	HOLDEN WILLIAM & JANET A	SCRANTON	15705C0N050	ERNEST SPOSTO	15000	13000
1:00 PM	HARRIS DAVID & MARK ETAL	SCRANTON	15705C0N033	ERNEST SPOSTO	15000	13000
1:00 PM	MYERS ROCHELLE & MARK	SCRANTON	15705C0N049	ERNEST SPOSTO	15000	13000
1:30 PM	GRECCO RALPH & PAMELA	GREENFIELD TWP	01408010041	FRANK BOLOCK JR	73000	55500
1:40 PM	ZENKE CATHERINE IRMA AKA SUSA	DALTON	0680404000200		30000	28500

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OCT 26 2018

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(02/02) 10/26/2018 11:42:53 AM

Melissa Maguire 5709636385

Time	Name	Boro/Twp.	Pin Number	Attorney	Proposed/Current Assessed Value	After Appeal Value
1:50 PM	WANSACZ JOHN P & KAROL E	MOOSIC	1850102001053		41250	31250
TOTAL RECORDS					39	

# TAX ASSESSOR'S REPORT

Hearing Date: 10/18/18

Time	Name	Boro/Twp.	Pin Number	Attorney	Proposed/Current Assessed Value	After Appeal Value
10:00 AM	LIGHT ACADIA 11 89 LLC	MOOSIC	17619LL0001	GLEN-DAVID SCHWARZ	32600	32600
10:00 AM	LIGHT ACADIA 11 89 LLC	MOOSIC	17612LL0014	GLEN-DAVID SCHWARZ	312117	312117
10:00 AM	LIGHT ACADIA 11 89 LLC	MOOSIC	17608040001	GLEN-DAVID SCHWARZ	192888	192888
10:00 AM	LIGHT ACADIA 11 89 LLC	MOOSIC	1760411.0256	GLEN-DAVID SCHWARZ	53489	53489
10:00 AM	LIGHT ACADIA 11 89 LLC	MOOSIC	17612010014	GLEN-DAVID SCHWARZ	150450	150450
10:00 AM	LIGHT ACADIA 11 89 LLC	MOOSIC	1761201001401	GLEN-DAVID SCHWARZ	12050	12050
11:00 AM	SEBASTIANELLI MARIO J	DUNMORE	14610040009	JOHN T CLARY JR	225000	185000
11:20 AM	HESSER JUDITH A TRUSTEE	SCRANTON	14653020015	GREGORY PASCALE	37400	33400
11:20 AM	THREE LYNNS LP	DUNMORE	13613010005	GREGORY PASCALE	550878	550878
11:20 AM	HESSER JUDITH A TRUSTEE	SCRANTON	14653030008	GREGORY PASCALE	15400	15400
11:20 AM	HESSER JUDITH A TRUSTEE	SCRANTON	14653020018	GREGORY PASCALE	310000	310000
11:20 AM	HESSER JUDITH A TRUSTEE	SCRANTON	14653030007	GREGORY PASCALE	20000	18000
12:20 PM	EASIO REALTY LLC	SCRANTON	14510070068		18000	16900
12:35 PM	ALBANO ANGELA & FOWLER GERAL	SCOTT TWP	10102060018		35000	35000
12:45 PM	LINHARES ANGELO DOUGLAS	CLARKS GREEN	0900404000730		38000	36000
12:55 PM	ALDCOWSKI JOSEPH & RHONDA AN	SCRANTON	12303020008		15700	11000
1:05 PM	FASULA INVESTMENTS LLC	MOOSIC	17615010014	LEWIS WETZEL	331279	285500
1:05 PM	FASULA NEAL J & JOYCE A	SCRANTON	1440806005501	LEWIS WETZEL	40000	40000
1:05 PM	FASULA JOYCE A	SCRANTON	1440806005502	LEWIS WETZEL	100000	77580
1:05 PM	FASULA NEAL J & JOYCE A	SCRANTON	15609040015	LEWIS WETZEL	150000	150000
1:05 PM	HODIN MORTON L TRUSTEE	SCRANTON	15717040041	LEWIS WETZEL	275000	250000
1:45 PM	BUCARI KIMBERLY & LANDOLT C	MOOSIC	1841606002203	ERIC MAHLER	281150	245000
2:10 PM	CLARKS SUMMIT AID 11 PROPCO	SOUTH ABINGTON	1011303001903	GLEN-DAVID SCHWARZ	657800	657800

TOTAL RECORDS 23

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**CITY OF SCRANTON, PENNSYLVANIA**

**Financial Statements Together with  
Report of Independent Public Accountants**

**For the Year Ended December 31, 2017**

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**DECEMBER 31, 2017**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Honorable Members of the City Council of  
City of Scranton, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Scranton (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sewer Authority (business-type activity fund) or the Redevelopment Authority, which represents 100 percent of the assets, net position and revenue of the business-type activity fund and one percent, of the assets, fund balances, and revenues of the non-major governmental funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sewer Authority or the Redevelopment Authority, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the governmental activities and aggregate discretely presented component unit and unmodified audit opinions on the business-type activities, major funds and aggregate remaining fund information.

***Summary of Opinions***

<i>Opinion Unit</i>	<i>Type of Opinion</i>
<b>Entity-Wide:</b>	
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Adverse
<b>Fund:</b>	
General Fund	Unmodified
OECD Fund	Unmodified
Non-major Governmental Funds	Unmodified
Sewer Authority	Unmodified
Internal Service Fund	Unmodified
Pension Trust Fund	Unmodified

***Basis for Adverse Opinion on the Reporting Entity***

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, the Scranton Parking Authority, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

***Adverse Opinion on the Reporting Entity***

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements referred to above do not present fairly the financial position of the reporting entity of the City, as of December 31, 2017, the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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***Unmodified Opinions on Governmental Activities, Business-Type Activities, Major Funds, and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund not covered by our opinion in the previous paragraphs, and the aggregate remaining fund information for the primary government of the City, as of December 31, 2017, and the respective changes in their financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

In September 2012, the Parking Authority of the City of Scranton was appointed a court ordered receivership estate. The receivership estate is a separate legal entity and is not included in the financial statements of the Authority. Our opinion is not modified with respect to this matter.

As discussed in Note 14, Distressed Municipality Status, the City was declared a distressed municipality under the Financially Distressed Municipalities Act in 1992. On August 24, 2012, the City revised and updated its Act 47 recovery plan. The 2015 plan identifies mandates that the City must implement to eliminate the City's operating budget deficits as projected by the Act 47 Coordinator. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of changes in pension fund net pension liability and related ratios and schedules of employer contributions for the Police, Firemen and Non-uniformed Pension Plans, and the schedule of funding progress and schedule of employer contributions for other post-employment benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Philadelphia, Pennsylvania  
October 23, 2018

*SB & Company, LLC*

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Management's Discussion and Analysis For the Year Ended December 31, 2017**

As management of the City of Scranton, Pennsylvania (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Scranton for the fiscal year ended December 31, 2017. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

#### **Financial Highlights**

The City continues to participate in the Commonwealth of Pennsylvania Act 97 for the financial distressed municipal program.

1. The liabilities of the City exceeded its assets as of December 31, 2017, by \$151,535,854 (net deficit). See Note 17.
2. The City's total net position decreased \$22,994,511, primarily due to the transfer of Sewer Authority assets.
3. As of December 31, 2017, the City's general fund reported an ending unassigned fund balance of \$33,211,382, a decrease from the prior year of \$42,297,055.
4. The City has elected not to include the Parking Authority financial statements in the financial statements; as such, the information has been excluded. Additionally, the Parking Authority was in receivership and leased during the year ended December 31, 2016.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. In general, the purpose of financial reporting is to provide external parties who read financial statements with information that will help them make decisions or draw conclusions about an entity. There are many external parties that read the City's financial statements; however, these parties do not always have the same specific objectives. In order to address the needs of as many parties as reasonably possible, the City, in accordance with required reporting standards, presents 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***Government-Wide financial statements***

The focus of government-wide financial statements is on the overall financial position and activities of the City. These financial statements are constructed around the concept of a primary government, the City.

## CITY OF SCRANTON, PENNSYLVANIA

### Management's Discussion and Analysis For the Year Ended December 31, 2017

#### Overview of the Financial Statements (continued)

##### *Government-Wide financial statements* (continued)

The City's government-wide financial statements include the statement of net position and the statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the net position held and liabilities owed by the City. The City reports all of its assets when it acquires ownership over the asset and infrastructure as assets even though they are not available to pay the obligations incurred by the City. On the other hand, the City reports liabilities, such as long-term bonds payable, even though these liabilities might not be paid until several years in the future.

The difference between the City's total assets and total liabilities is labeled as net position and this difference is similar to the total owners' equity presented by a commercial enterprise. Although the purpose of the City is not to accumulate net position, in general, as this amount increases, it indicates that the financial position of the City is improving over time.

The purpose of the statement of activities is to present the revenue and expenses of the City. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial entity in that revenue is recognized when earned or established criteria are satisfied and expenses are reported when incurred by the City. Thus, revenue is reported even when it may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the City reports an amount described as *change in net position*, essentially the same thing.

The focus of the statement of activities is on the *net cost* of various activities provided by the City. The statement begins with a column that identifies the cost of each of the City's major functions. Another column identifies the revenue that is specifically related to the classified governmental functions. The difference between the expenses and revenue related to specific program/activities identifies the extent to which each function of the City draws from the general revenue or is self-financing through fees, intergovernmental aid, or other sources of resources.

The primary government is divided into governmental activities and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenue, and other non-exchange revenue, while business-type activities are financed to some degree by charging external parties for the goods or services they acquire from the City.

## CITY OF SCRANTON, PENNSYLVANIA

### Management's Discussion and Analysis For the Year Ended December 31, 2017

#### Overview of the Financial Statements (continued)

##### *Government-wide financial statements* (continued)

Governmental activities include programs/activities such as general government, public safety, public works, and parks recreation and culture. Business-type activities, an integral part of the City's activities and responsibilities, primarily include the City's water and sewer services.

The government-wide financial statements can be found on pages 15 - 17 of this report.

##### *Fund financial statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the general fund, a specific fund is established to satisfy managerial control over the resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The City's fund financial statements are divided into two broad categories, namely, (1) governmental funds, and (2) proprietary funds.

##### *Governmental fund*

Governmental fund financial statements consist of a balance sheet and statement of revenue, expenditures, and change in fund balance and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The City maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and change in fund balance. There is also a combining schedule in the supplementary information section for the non-major funds.

The City adopts an annual appropriated budget for its general and proprietary fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18 - 21 of this report.



## **CITY OF SCRANTON, PENNSYLVANIA**

### **Management's Discussion and Analysis For the Year Ended December 31, 2017**

#### **Overview of the Financial Statements** (continued)

##### ***Proprietary fund***

Proprietary fund financial statements consist of a statement of net position, statement of revenue, expenses, and change in fund net position and statement of cash flows, and are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

The City maintains two types of proprietary funds, the enterprise fund and the internal service fund. The City uses enterprise funds to account for business-type activities that charge fees to customers for the use of specific goods and services. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to primarily account for its sanitary sewer and water distribution operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 22 - 23 of this report.

##### ***Notes to basic financial statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 -74 of this report.

##### ***Supplementary information***

The schedule on page 85 of this report provides additional information about the City's general fund revenue and expenditures including a budget comparison.

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities exceeded assets by \$151,535,854, as of December 31, 2017.

All of the City's assets reflect its investment in capital assets (e.g., land, buildings, equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF SCRANTON, PENNSYLVANIA

## Management's Discussion and Analysis For the Year Ended December 31, 2017

### Government-Wide Financial Analysis (continued)

Our following analysis focuses on the net position and changes in net position of the City's governmental and business-type activities.

### CONDENSED STATEMENTS OF NET POSITION AS OF DECEMBER 31, 2017 AND 2016

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current assets	\$ 77,989,947	\$ 48,156,941	\$ 2,547,254	\$ 18,651,823	\$ 80,537,201	\$ 66,808,764
Restricted assets	631,658	759,100	16,998,252	26,793,956	17,629,910	27,553,056
Capital assets, net	84,525,430	84,872,274	7,387	74,660,819	84,532,817	159,533,093
<b>Total Assets</b>	<b>163,147,035</b>	<b>133,788,315</b>	<b>19,552,893</b>	<b>120,106,598</b>	<b>182,699,928</b>	<b>253,894,913</b>
<b>Total Deferred Outflow of Resources</b>	<b>563,920</b>	<b>8,576,468</b>	<b>-</b>	<b>880,786</b>	<b>563,920</b>	<b>9,457,254</b>
<b>Liabilities</b>						
Current liabilities	14,220,996	14,309,862	1,823,239	5,740,776	16,044,235	20,050,638
Long-term liabilities	266,630,034	362,182,051	-	59,886,012	266,630,034	422,068,063
Unearned revenue	7,247,937	7,465,259	-	-	7,247,937	7,465,259
<b>Total Liabilities</b>	<b>288,098,967</b>	<b>383,957,172</b>	<b>1,823,239</b>	<b>65,626,788</b>	<b>289,922,206</b>	<b>449,583,960</b>
<b>Total Deferred Inflows of Resources</b>	<b>44,877,496</b>	<b>788,793</b>	<b>-</b>	<b>85,261</b>	<b>44,877,496</b>	<b>874,054</b>
<b>Net Position</b>						
Net investment in capital assets	63,712,989	67,337,854	7,387	14,373,795	63,720,376	81,711,649
Restricted	631,658	759,100	16,998,252	23,580,216	17,629,910	24,339,316
Unrestricted	(233,610,155)	(310,478,136)	724,015	17,321,324	(232,886,140)	(293,156,812)
<b>Total Net Position</b>	<b>\$ (169,265,508)</b>	<b>\$ (242,381,182)</b>	<b>\$ 17,729,654</b>	<b>\$ 55,275,335</b>	<b>\$ (151,535,854)</b>	<b>\$ (187,105,847)</b>

For more information on the statement of net position see pages 15 and 16.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

As of December 31, 2017, the City was able to report positive balances in the two categories of net position for its governmental activities. The same situation existed as of December 31, 2016.

CITY OF SCRANTON, PENNSYLVANIA

Management's Discussion and Analysis  
For the Year Ended December 31, 2017

Government-Wide Financial Analysis (continued)

CONDENSED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenue</b>						
Program revenue						
Fees, fines, and charges for services	\$ 10,011,436	\$ 11,159,117	\$ 16,036,692	\$ 22,394,174	\$ 26,048,128	\$ 33,553,291
Operating grants and contributions	10,111,102	16,022,847	-	-	10,111,102	16,022,847
Capital grants and contributions	-	-	-	97,753	-	97,753
General revenues						
Property taxes	45,448,010	36,441,398	-	-	45,448,010	36,441,398
Act 511 taxes	37,389,174	36,820,000	-	-	37,389,174	36,820,000
Cable TV franchise revenue	1,071,698	1,016,420	-	-	1,071,698	1,016,420
Payment in lieu of taxes	271,559	60,791	-	-	271,559	60,791
Investment earnings	5,723	8,670	36,805	12,830	42,528	21,500
Miscellaneous	3,532,215	980,395	122,426	177,857	3,654,641	1,158,252
Rent and concessions	11,200	12,210	-	-	11,200	12,210
Gain on sale of assets	-	66,519,968	57,416,777	-	57,416,777	66,519,968
<b>Total Revenue and Transfers</b>	<b>107,852,117</b>	<b>169,041,816</b>	<b>73,612,700</b>	<b>22,682,614</b>	<b>181,464,817</b>	<b>191,724,430</b>
<b>Expenses</b>						
General government and admin	20,707,971	25,339,870	-	-	20,707,971	25,339,870
Public safety	36,657,742	51,164,481	-	-	36,657,742	51,164,481
Public works	20,806,017	20,852,406	-	-	20,806,017	20,852,406
Community development	3,284,200	4,766,949	-	-	3,284,200	4,766,949
Cultural and recreation	1,166,428	1,166,868	-	-	1,166,428	1,166,868
Interest and fees on long term debt	7,809,145	10,056,182	-	-	7,809,145	10,056,182
Enterprise expenses						
Sewer authority	-	-	114,027,825	19,813,170	114,027,825	19,813,170
<b>Total Expenses</b>	<b>90,431,503</b>	<b>113,346,756</b>	<b>114,027,825</b>	<b>19,813,170</b>	<b>204,459,328</b>	<b>133,159,926</b>
Change in net position	17,420,614	55,695,060	(40,415,125)	2,869,444	(22,994,511)	58,564,504
Net position, beginning of year	(186,686,122)	(242,381,182)	58,144,779	55,275,335	(128,541,343)	(187,105,847)
<b>Net Position, End of Year</b>	<b>\$ (169,265,508)</b>	<b>\$ (186,686,122)</b>	<b>\$ 17,729,654</b>	<b>\$ 58,144,779</b>	<b>\$ (151,535,854)</b>	<b>\$ (128,541,343)</b>

For more information on the statement of activities, see page 17.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Management's Discussion and Analysis For the Year Ended December 31, 2017**

#### **Government-Wide Financial Analysis** (continued)

##### ***Governmental Activities***

Governmental activities increased the City's net position by \$17,420,614, for the year ended December 31, 2017, primarily as a result of the changes in the net pension liability.

##### ***Business-type Activities***

Business-type activities decreased the City's net position as of March 31, 2017 by \$40,415,125.

#### **Fund Financial Analysis**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

##### ***Governmental Funds***

The focus of the City's governmental fund is to provide information on near-term inflow, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unassigned fund balance represents 89% of general fund expenditures.

The fund balance of the City's general fund increased due to proceeds from the sale of the Sewer Authority.

##### ***Proprietary Funds***

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Changes in the activity were previously discussed.

## CITY OF SCRANTON, PENNSYLVANIA

### Management's Discussion and Analysis For the Year Ended December 31, 2017

#### General Fund Budgetary Highlights

No changes were made to the original budget for the City.

#### Capital Asset and Debt Administration

##### *Capital Assets*

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, was \$84,532,817. The investment in capital assets includes land, buildings, machinery and equipment, park facilities and infrastructure. The total net decrease in the City's investment in capital assets for the year ended December 31, 2017, was \$81,315,881.

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land & land improvement	\$ 3,485,506	\$ 3,485,506	\$ -	\$ 130,029	\$ 3,485,506	\$ 3,615,535
Buildings & building improvements	20,803,777	20,803,777	-	148,255,982	20,803,777	169,059,759
Infrastructure	132,206,565	132,206,565	-	-	132,206,565	132,206,565
Furniture, equipment and vehicles	24,836,784	22,860,848	7,510	5,763,487	24,844,294	28,624,335
Construction in progress	6,585,917	2,406,437	-	13,582,943	6,585,917	15,989,380
Accumulated depreciation	(103,393,120)	(97,645,569)	(123)	(86,001,307)	(103,393,243)	(183,646,876)
Total Capital Assets, Net	\$ 84,525,430	\$ 84,117,564	\$ 7,387	\$ 81,731,134	\$ 84,532,817	\$ 165,848,698

Additional information on the City's capital assets can be found in Note 5 on page 46 of this report.

##### *Debt Administration*

The City's outstanding debt as of December 31, 2017 and 2016, was as follows:

	Governmental Activities		Business-Type Activities (March 31,)		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Beginning Balance	\$ 154,893,540	\$ 123,462,032	\$ 61,932,549	\$ 57,236,215	\$ 216,826,089	\$ 180,698,247
Issued debt	24,620,000	76,546,046	3,535,723	16,253,900	28,155,723	92,799,946
Accretion and amortization	-	205,194	-	-	-	205,194
Less: retirements	(69,728,059)	(45,319,732)	(65,468,272)	(11,557,566)	(135,196,331)	(56,877,298)
Ending Balance	\$ 109,785,481	\$ 154,893,540	\$ -	\$ 61,932,549	\$ 109,785,481	\$ 216,826,089

The City's total debt decreased by \$107,040,608, during the fiscal year ended December 31, 2017, primarily as a result of the sale of the Sewer Authority and retirements of governmental activity bonds.

Additional information on the City's long-term debt can be found in Note 7 on pages 46-52 of this report.

## CITY OF SCRANTON, PENNSYLVANIA

### Management's Discussion and Analysis For the Year Ended December 31, 2017

#### *Economic Factors and Next Year's Budgets and Rates*

The economy of the City is closely tied to the economy of the Commonwealth of Pennsylvania. Property taxes will be reviewed and property tax revenue may change as reassessments are made. The costs of operating in the general and enterprise funds are expected to increase due to labor costs, health care costs, pensions, and other factors.

In 1992, the Pennsylvania Department of Community and Economic Development (DCED) declared the City a distressed municipality under the Financially Distressed Municipalities Act (the Act). DCED then appointed the Pennsylvania Economy League as coordinator to administer a recovery plan for the City pursuant to this Act.

During 2015, the City revised and updated its Act 47 Recovery Plan. The 2015 plan identifies and mandates that the City must implement to eliminate the City's operating budget deficits as projected by the Act 47 Coordinator.

The City's Act 47 Coordinator, in conjunction with the City, worked on a revision to the 2012 Recovery Plan. In October 2014, the State of Pennsylvania signed House Bill 1773 into law. The bill significantly overhauled the Municipalities Financial Recovery Act, Known as Act 47. The new law placed a five-year time limit for municipalities to exit Act 47. For municipalities already under Act 47 and operating under a recovery plan, the termination date for their distressed status will be five years from the effective date of their most recent recovery plan or amendment. The 2015 Revised Recovery Plan was adopted by City Council in March 2015.

The revised Recovery Plan and its provisions outlined below are designed to restore long-term fiscal stability, budgetary predictability, and the repair of the City's creditworthiness. The new Recovery Plan provides the fiscal framework for the City's governing bodies to follow through 2020.

The following mandates are provisions of the 2015 Recovery Plan:

- The City of Scranton will petition the Lackawanna County Court of Common Pleas to increase the Local Services Tax from \$52 per year to \$156 per year. The increased revenue from the tax is included in the City of Scranton 2015 budget;
- The City of Scranton will apply for grant funding to undertake the feasibility and analysis of the creation of a Municipal Solid Waste Collection Authority and, separately, a Storm Water Management Authority;
- The City of Scranton will review the divestiture of other non-essential assets not directly related to the provision of services;

## CITY OF SCRANTON, PENNSYLVANIA

### Management's Discussion and Analysis For the Year Ended December 31, 2017

#### *Economic Factors and Next Year's Budgets and Rates (continued)*

The following mandates are provisions of the 2015 Recovery Plan:

- The Recovery Coordinator will prepare an analysis on the impact of the implementation of a payroll preparation tax. The tax would replace the Business Privilege and Mercantile taxes;
- The City will continue its review of health care and related programs to reduce the rate of increase in employee health care costs;
- Representatives of the City of Scranton and Scranton Housing Authority will meet to determine levels of financial assistance in addition to the lieu of payments provided by the Authority;
- The City of Scranton will continue to use its real estate taxing authority to eliminate operating deficits projected to occur through 2020 if the implementation of the Plan's comprehensive mandates are not authorized;
- The City of Scranton will undertake an analysis of the status of properties presently exempt from taxation;
- With the reductions of staff over the past five years, the City will seek greater efficiencies in departmental tax execution by a review and evaluation of work assignments;
- The City of Scranton will review pension plan changes for employees not represented by a collective bargaining unit or applicable law;
- The City will continue to review for utilization the provisions of Act 205, the Municipal Pension Plan Funding Standard and Recovery Act;
- The City of Scranton will appoint a commission to review the ability to implement shared services programs;
- The City of Scranton will continue to pursue the implementation of the provisions of a Land Bank, as authorized by Act 153 of 2012.

Other initiatives of the City of Scranton are designed to achieve greater cost savings and efficiencies, as well as revenue production. Those initiatives include:

- The City of Scranton is completing a restructuring of the fee schedule of the Department of Licenses and Permits;
- Further enhancements to the program include a mobile payment application. These enhancements, along with increases to meter rates and citations, will lead to increased parking revenue.

**CITY OF SCRANTON, PENNSYLVANIA**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2017**

***Economic Factors and Next Year's Budgets and Rates (continued)***

**Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of Business Administration, City Hall, 4<sup>th</sup> Floor, and 340 N. Washington Avenue, Scranton, PA 18503.



CITY OF SCRANTON, PENNSYLVANIA

Statement of Net Position  
As of December 31, 2017

	Governmental Activities	Business Type Activities As of March 31, 2017	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,543,152	\$ 2,433,814	\$ 37,976,966
Investments	19,216,368	-	19,216,368
Receivables:			-
Taxes and fees receivable, net	18,697,019	-	18,697,019
Accounts receivable, net	1,411,410	113,440	1,524,850
Loans receivable	1,805,958	-	1,805,958
Other receivables, net	1,217,105	-	1,217,105
Property held for resale	98,935	-	98,935
Restricted assets:			-
Cash and cash equivalents	631,658	16,998,252	17,629,910
<b>Total Current Assets</b>	<b>78,621,605</b>	<b>19,545,506</b>	<b>98,167,111</b>
Land	3,485,506	-	3,485,506
Buildings	12,103,899	-	12,103,899
Improvements	8,699,878	-	8,699,878
Infrastructure	132,206,565	-	132,206,565
Vehicles, furniture, and equipment	24,836,784	7,510	24,844,294
Construction in progress	6,585,917	-	6,585,917
<b>Total capital assets</b>	<b>187,918,550</b>	<b>7,510</b>	<b>187,926,060</b>
Less: accumulated depreciation	103,393,120	123	103,393,243
<b>Capital assets, net</b>	<b>84,525,430</b>	<b>7,387</b>	<b>84,532,817</b>
<b>Total Assets</b>	<b>163,147,035</b>	<b>19,552,893</b>	<b>182,699,928</b>
<b>Deferred Outflow of Resources</b>			
Deferred outflows related to pensions	563,920	-	563,920
<b>Total Deferred Outflow of Resources</b>	<b>563,920</b>	<b>-</b>	<b>563,920</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF SCRANTON, PENNSYLVANIA**

**Statement of Net Position (continued)  
As of December 31, 2017**

	<b>Governmental Activities</b>	<b>Business Type Activities As of March 31, 2017</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,865,695	\$ 1,823,064	\$ 7,688,759
Accrued liabilities	728,551	175	728,726
Current liabilities payable from restricted assets:			
Revenue bonds/notes payable	-	-	-
Accrued bond interest payable	905,821	-	905,821
Current portion of long term debt:			
Long-term debt obligations	5,465,125	-	5,465,125
Capital lease	1,255,804	-	1,255,804
<b>Total Current Liabilities</b>	<b>14,220,996</b>	<b>1,823,239</b>	<b>16,044,235</b>
Non-Current liabilities			
Worker's compensation claims payable	21,559,564	-	21,559,564
Long-term debt obligations	95,597,669	-	95,597,669
Capital lease	7,466,883	-	7,466,883
Net other post employment benefits obligation	46,460,797	-	46,460,797
Net pension liability	92,234,376	-	92,234,376
Compensated absences	3,310,745	-	3,310,745
Unearned revenue	7,247,937	-	7,247,937
<b>Total Liabilities</b>	<b>288,098,967</b>	<b>1,823,239</b>	<b>289,922,206</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	44,877,496	-	44,877,496
<b>NET POSITION</b>			
Net investment in capital assets	63,712,989	7,387	63,720,376
Restricted:			-
Debt service	631,658	-	631,658
Restricted for Escrow Agreements	-	16,998,252	16,998,252
Unrestricted (deficit)	(233,610,155)	724,015	(232,886,140)
<b>Total Net Position</b>	<b>\$ (169,265,508)</b>	<b>\$ 17,729,654</b>	<b>\$ (151,535,854)</b>

The accompanying notes are an integral part of this financial statement.

# CITY OF SCRANTON, PENNSYLVANIA

## Statement of Activities

For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities (March 31, 2017)	Total
Governmental Activities							
General government and administration	\$ 20,707,971	\$ 9,679,223	\$ 7,250,772	\$ -	\$ (3,777,976)	\$ -	\$ (3,777,976)
Public safety	36,657,742	-	-	-	(36,657,742)	-	(36,657,742)
Public works	20,806,017	-	-	-	(20,806,017)	-	(20,806,017)
Community development	3,284,200	332,213	2,860,330	-	(91,657)	-	(91,657)
Culture and recreation	1,166,428	-	-	-	(1,166,428)	-	(1,166,428)
Interest and fees on long term debt	7,809,145	-	-	-	(7,809,145)	-	(7,809,145)
<b>Total Governmental Activities</b>	<b>90,431,503</b>	<b>10,011,436</b>	<b>10,111,102</b>	<b>-</b>	<b>(70,308,965)</b>	<b>-</b>	<b>(70,308,965)</b>
Business-type Activities							
Sewer Authority (for the year ended March 31, 2017)	114,027,825	16,036,692	-	-	-	(97,991,133)	(97,991,133)
<b>Total Government</b>	<b>\$ 204,459,328</b>	<b>\$ 26,048,128</b>	<b>\$ 10,111,102</b>	<b>\$ -</b>	<b>(70,308,965)</b>	<b>(97,991,133)</b>	<b>(168,300,998)</b>
General Revenues							
Taxes							
Property taxes					45,448,010	-	45,448,010
Act 511 taxes					37,389,174	-	37,389,174
Cable television franchise revenue					1,071,698	-	1,071,698
Payments in lieu of taxes					271,559	-	271,559
Investment earnings					5,723	36,805	42,528
Gain on sale of assets					-	57,416,777	57,416,777
Miscellaneous					3,532,215	122,426	3,654,641
Rents and concessions					11,200	-	11,200
<b>Total General Revenues and Transfers</b>					<b>87,729,579</b>	<b>57,576,008</b>	<b>145,305,587</b>
<b>Change in Net Position</b>					<b>17,420,614</b>	<b>(40,415,125)</b>	<b>(22,994,511)</b>
Net position, beginning of year					(186,686,122)	58,144,779	(128,541,343)
<b>Net Position, End of Year</b>					<b>\$ (169,265,508)</b>	<b>\$ 17,729,654</b>	<b>\$ (151,535,854)</b>

The accompanying notes are an integral part of this financial statement.

# CITY OF SCRANTON, PENNSYLVANIA

## Balance Sheet – Governmental Funds As of December 31, 2017

	General	OECD	Special Cities	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 29,905,246	\$ 1,237,256	\$ 3,745,200	\$ 655,450	\$ 35,543,152
Taxes and fees receivable, net	18,697,019	-	-	-	18,697,019
Accounts receivable, net	-	150,920	1,191,737	-	1,342,657
Loans receivable, net	-	1,748,064	-	57,894	1,805,958
Other receivables, net	1,217,105	-	-	-	1,217,105
Due from other funds	762,975	575,292	1,204,549	-	2,542,816
Restricted assets:					-
Restricted cash and cash equivalents	-	-	-	631,658	631,658
Property held for resale	-	-	-	98,935	98,935
<b>Total Assets</b>	<b>\$ 50,582,345</b>	<b>\$ 3,711,532</b>	<b>\$ 6,141,486</b>	<b>\$ 1,443,937</b>	<b>\$ 61,879,300</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>					
Accounts payable	\$ 4,297,587	\$ 192,204	\$ 1,204,679	\$ 25,527	\$ 5,719,997
Accrued liabilities	703,765	24,786	-	-	728,551
Due to other funds	3,204,549	-	709,286	521,603	4,435,438
Unearned revenue	-	3,394,204	3,853,733	-	7,247,937
<b>Total Liabilities</b>	<b>8,205,901</b>	<b>3,611,194</b>	<b>5,767,698</b>	<b>547,130</b>	<b>18,131,923</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	9,096,641	-	-	57,894	9,154,535
<b>Total Deferred Inflows of Resources</b>	<b>9,096,641</b>	<b>-</b>	<b>-</b>	<b>57,894</b>	<b>9,154,535</b>
<b>Fund Balance</b>					
Nonspendable	68,421	-	-	98,935	167,356
Restricted for debt service	-	-	-	631,658	631,658
Restricted for externally imposed restrictions	-	100,338	373,788	626,386	1,100,512
Unassigned	33,211,382	-	-	(518,066)	32,693,316
<b>Total Fund Balance</b>	<b>33,279,803</b>	<b>100,338</b>	<b>373,788</b>	<b>838,913</b>	<b>34,592,842</b>
<b>Total Liabilities, Deferred Inflows and Fund Balance</b>	<b>\$ 50,582,345</b>	<b>\$ 3,711,532</b>	<b>\$ 6,141,486</b>	<b>\$ 1,443,937</b>	<b>\$ 61,879,300</b>

The accompanying notes are an integral part of this financial statement.

# CITY OF SCRANTON, PENNSYLVANIA

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position As of December 31, 2017

<b>Total Governmental Fund Balances</b>	<b>\$ 34,592,842</b>
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statements	84,525,430
Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the fund.	5,367,287
Refuse fee receivable will be collected but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the fund.	3,711,706
Internal service fund is used by management to charge the cost of the workmen's compensation insurance fund to various departments. The net revenue/(expense) of the internal service fund is reported with governmental activities.	(520,398)
Deferred loans are loans made by SRA to qualified projects that will be repaid in future years but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	68,421
Deferred outflow of resources, including loss on refunding, contributions subsequent to measurement date, and changes in assumptions are consumption of resources that is applicable to future reporting periods and therefore are not reported in the funds.	(44,313,576)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of the following:	
General obligation bonds payable	(65,900,000)
General obligation notes payable	(32,840,000)
Governmental notes payable	(2,322,794)
Accrued interest payable	(905,821)
Capitalized lease payable	(8,722,687)
Compensated absences	(3,310,745)
Other post employment benefits	(46,460,797)
Net pension liability	(92,234,376)
Long-term liabilities	<u>(252,697,220)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (169,265,508)</u></b>

The accompanying notes are an integral part of this financial statement.

# CITY OF SCRANTON, PENNSYLVANIA

## Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds For the Year Ended December 31, 2017

	General	OECD	Special Cities	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 72,648,050	\$ -	\$ 10,189,134	\$ -	\$ 82,837,184
Intergovernmental	4,963,928	2,860,330	-	2,286,844	10,111,102
Departmental earnings	281,014	-	465,268	-	746,282
Refuse disposal fee	6,637,754	-	-	-	6,637,754
Licenses and permits	2,295,187	-	-	-	2,295,187
Cable television franchise revenue	1,071,698	-	-	-	1,071,698
Payments in lieu of taxes	271,559	-	-	-	271,559
Investment income	-	1,379	743	3,601	5,723
Other revenues	3,073,037	-	459,140	38	3,532,215
Rents and concessions	5,500	-	-	5,700	11,200
Program income	-	332,213	-	-	332,213
<b>Total Revenues</b>	<b>91,247,727</b>	<b>3,193,922</b>	<b>11,114,285</b>	<b>2,296,183</b>	<b>107,852,117</b>
<b>EXPENDITURES</b>					
Current:					
General government	14,539,547	-	1,388,488	-	15,928,035
Public safety	53,625,673	-	2,286,965	-	55,912,638
Public works	12,384,073	-	3,879,020	-	16,263,093
Community development	-	3,235,133	5,388	43,679	3,284,200
Culture and recreation	685,201	-	-	-	685,201
Debt Service:					
Debt service principal	1,134,145	-	-	-	1,134,145
Debt service interest/fees	7,809,145	-	-	-	7,809,145
Capital outlay	1,975,936	126,624	4,052,856	-	6,155,416
<b>Total Expenditures</b>	<b>92,153,720</b>	<b>3,361,757</b>	<b>11,612,717</b>	<b>43,679</b>	<b>107,171,873</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(905,993)</b>	<b>(167,835)</b>	<b>(498,432)</b>	<b>2,252,504</b>	<b>680,244</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from:					
Operating transfers in	2,930,526	-	-	-	2,930,526
Operating transfers out	(175,000)	-	710,781	(2,930,526)	(2,394,745)
Issuance of refunding bonds	24,620,000	-	-	-	24,620,000
Premium of Issuance of Bonds	1,539,054	-	-	-	1,539,054
Payment to escrow agent for refundings/retirements	(72,437,410)	-	-	-	(72,437,410)
Proceeds from tax anticipation note	12,750,000	-	-	-	12,750,000
Court award payment	(189,115)	-	-	-	(189,115)
Sale of assets	2,570,139	-	-	-	2,570,139
Payments on tax anticipation note	(12,964,896)	-	-	-	(12,964,896)
<b>Total Other Financing Sources (Uses)</b>	<b>(41,356,702)</b>	<b>-</b>	<b>710,781</b>	<b>(2,930,526)</b>	<b>(43,576,447)</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(42,262,695)</b>	<b>(167,835)</b>	<b>212,349</b>	<b>(678,022)</b>	<b>(42,896,203)</b>
Fund Balances, beginning of year	75,542,498	268,173	161,439	1,516,935	77,489,045
<b>Fund Balances, End of Year</b>	<b>\$ 33,279,803</b>	<b>\$ 100,338</b>	<b>\$ 373,788</b>	<b>\$ 838,913</b>	<b>\$ 34,592,842</b>

The accompanying notes are an integral part of this financial statement.

# CITY OF SCRANTON, PENNSYLVANIA

## Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities (continued) For the Year Ended December 31, 2017

Net Changes in Fund Balances - Total Governmental Funds \$ (42,896,203)

Amounts reported for governmental activities in the statement of activities are different because of:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlays exceeds depreciation:

Capital outlays	6,155,416	
Depreciation	(5,747,551)	
		407,865

Internal service fund is used by management to charge the cost of the workmen's compensation insurance fund to various departments. The net revenue of the internal service fund is reported with governmental activities. 840,917

In the statement of activities compensated absences are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amounts earned versus the amount used. 135,176

In the statement of activities post retirement benefits are measured by the amounts earned during the year. In governmental funds however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amounts earned versus the amount used. (6,726,729)

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also governmental funds reports the effect of insurance cost and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (24,620,000)

Repayment of bond principal is expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The effect of these transactions in the statement of activities is shown below:

Repayment of general bond principal	59,733,595	
Repayment of governmental note payable	7,609,377	
Repayment of capitalized lease principal	2,385,087	
		69,728,059

Net pension liability is not due and payable in the current period, and therefore are not reported in the funds. 19,873,509

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

678,020	
	678,020

Change in Net Position of Governmental Activities \$ 17,420,614

The accompanying notes are an integral part of this financial statement.

**CITY OF SCRANTON, PENNSYLVANIA**

**Statement of Net Position – Proprietary Funds**  
**As of December 31, 2017**

	Business-Type Activities - Enterprise Funds Major Fund As of March 31, 2017 Sewer Authority	Governmental Activities - Internal Service Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,433,814	\$ -
Investments	-	19,216,368
Accounts receivable, net	113,440	68,753
Due from other funds	-	2,000,000
Restricted assets:	-	-
Cash and cash equivalents	16,998,252	-
Capital assets	-	-
Property, plant and equipment, net	7,387	-
<b>Total Assets</b>	<b>19,552,893</b>	<b>21,285,121</b>
<b>LIABILITIES</b>		
<b>Current liabilities (payable from current assets):</b>		
Accounts payable	1,823,064	245,955
Accrued payroll and payroll taxes	175	-
<b>Total current liabilities (payable from current assets)</b>	<b>1,823,239</b>	<b>245,955</b>
<b>Noncurrent liabilities:</b>		
Workers' compensation claims payable	-	21,559,564
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>21,559,564</b>
<b>Total Liabilities</b>	<b>1,823,239</b>	<b>21,805,519</b>
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	7,387	-
Restricted for escrow agreements	16,998,252	-
Unrestricted	724,015	(520,398)
<b>Total Net Position</b>	<b>\$ 17,729,654</b>	<b>\$ (520,398)</b>

The accompanying notes are an integral part of this financial statement.



CITY OF SCRANTON, PENNSYLVANIA

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds	
	Major Fund	
	For the Year Ended	
	March 31, 2017	Governmental Activities -
	Sewer Authority	Internal Service Funds
<b>REVENUES</b>		
Charges for services	16,036,692	\$ 3,096,676
<b>Total Revenues</b>	<b>16,036,692</b>	<b>3,096,676</b>
<b>EXPENSES</b>		
Workers' compensation claims	-	2,071,074
Sewer plant and sewer system	8,415,278	-
Administrative and general	3,502,243	-
Depreciation	2,771,214	-
Other	-	346,140
<b>Total Expenses</b>	<b>14,688,735</b>	<b>2,417,214</b>
<b>Income from Operations</b>	<b>1,347,957</b>	<b>679,462</b>
<b>Non Operating Revenues (Expenses):</b>		
Investment income	36,805	161,455
Interest expense	(1,544,250)	-
Amortization of bond insurance cost	(20,846)	-
Bond issuance costs	(5,875,321)	-
Professional fees - sale of transaction costs	(2,753,725)	-
Gain on sale of assets - system sale	57,416,777	-
Gain on capital asset sale	16,550	-
Union pension withdrawal liability payment	(2,782,313)	-
Operating Transfers	(86,362,635)	-
Amortization of bond premium	533	-
Other revenue	105,343	-
<b>Total Non Operating Revenues (Expenses)</b>	<b>(41,763,082)</b>	<b>161,455</b>
<b>Change in Net Position</b>	<b>(40,415,125)</b>	<b>840,917</b>
Net Position, beginning of year	58,144,779	(1,361,315)
<b>Net Position, End of Year</b>	<b>\$ 17,729,654</b>	<b>\$ (520,398)</b>

The accompanying notes are an integral part of this financial statement.

# CITY OF SCRANTON, PENNSYLVANIA

## Statement of Cash Flows – Proprietary Funds As of December 31, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Major Fund Sewer Authority	
<b>Cash Flows from Operating Activities</b>		
Cash received from customers/interfund services provided	\$ 15,819,511	\$ 3,004,379
Cash payments for goods and services	(6,580,590)	(2,340,510)
Cash payments to employees for services	(6,567,197)	-
<b>Net Cash from Operating Activities</b>	<b>2,671,724</b>	<b>663,869</b>
<b>Cash Flows from Noncapital and Related Financing</b> □		
<b>Activity Inflows</b>		
Other revenue received	105,343	-
Professional fees - sale transaction costs	(3,562,078)	-
<b>Net Cash from Noncapital and Related Financing</b>	<b>(3,456,735)</b>	<b>-</b>
<b>Activity Inflows</b>		
<b>Cash Flows from Capital and Related Financing Activity Inflows</b>		
Payment of debt	(18,924,692)	-
Payment of interest	(2,210,697)	-
Proceeds from loans payable	3,545,723	-
Borrowings on line of credit	3,950,599	-
Payment on line of credit	(3,950,599)	-
Union pension withdrawal liability payment	(2,782,313)	-
Operating transfers	(86,362,635)	-
Payment to escrow for refunding debt - principal	(41,540,000)	-
Payment to escrow for refunding debt - interest	(7,882,295)	-
Funds received from bond trustee - bond defeasance	3,212,674	-
Proceeds from sale of capital assets	16,550	-
Proceeds from sale of sewer system	156,351,493	-
Cash transferred at closing to PAWC	(4,985,275)	-
Payment of closing costs on sale of sewer system	(1,114,006)	-
Purchase and construction of capital assets	(13,468,154)	-
<b>Net Cash from Capital and Related Financing Activity Inflows</b>	<b>(16,143,627)</b>	<b>-</b>
<b>Cash Flows from Investment Activities</b>		
Proceeds from maturity of investments	3,853,045	-
Purchase of investments	-	(825,324)
Sale of investments	-	-
Receipt of interest	37,445	161,455
<b>Net Cash from Investment Activities</b>	<b>3,890,490</b>	<b>(663,869)</b>
<b>Net change in cash and cash equivalents</b>	<b>(13,038,148)</b>	<b>-</b>
Cash and cash equivalents, beginning of year	32,470,214	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 19,432,066</b>	<b>\$ -</b>
<b>Reconciliation of Operating Income to</b>		
<b>Net Cash from Operating Activities:</b>		
Operating income	\$ 1,347,957	\$ 679,462
Depreciation	2,771,214	-
Effect of changes in non-cash operating assets and liabilities:		
Bad debt expense	606,743	-
Accounts receivable	(217,180)	(92,297)
Other current assets	309,312	-
Accounts payable	(1,206,406)	76,704
Accrued payroll and payroll taxes	(181,280)	-
Compensated absences	(758,636)	-
<b>Net Cash from Operating Activities</b>	<b>\$ 2,671,724</b>	<b>\$ 663,869</b>

The accompanying notes are an integral part of this financial statement.

**CITY OF SCRANTON, PENNSYLVANIA**

**Statement of Net Position - Fiduciary Fund  
As of December 31, 2017**

	<b>Pension Trust</b>
	<hr/>
<b>ASSETS</b>	
Cash and investments	\$ 74,084,039
Receivables:	
Members' contributions	48,618
<b>Total Assets</b>	<hr/> <b>74,132,657</b> <hr/>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	
<b>Net Position</b>	
Held in trust for pension benefits	<hr/> <b>\$ 74,132,657</b> <hr/>

The accompanying notes are an integral part of this financial statement.

**CITY OF SCRANTON, PENNSYLVANIA**

**Statement of Change in Net Position - Fiduciary Fund  
For the Year Ended December 31, 2017**

	<u>Pension Trust</u>
<b>Additions</b>	
Contributions	
Employee	\$ 1,271,311
Employer/Commonwealth	<u>18,811,562</u>
Total Contributions	<u>20,082,873</u>
Investment Income:	
Interest income	<u>7,649,507</u>
Total Investment Income	<u>7,649,507</u>
<b>Total Additions</b>	<u>27,732,380</u>
<b>Deductions</b>	
Benefit payments	(12,680,985)
Administrative expenses	<u>(233,531)</u>
<b>Total Deductions</b>	<u>(12,914,516)</u>
Change in net position	14,817,864
Net position, beginning of year	<u>59,314,793</u>
<b>Net Position, End of Year</b>	<u><u>\$ 74,132,657</u></u>

The accompanying notes are an integral part of this financial statement.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### The Reporting Entity

The City of Scranton, Pennsylvania (the City) was incorporated in 1866 under the provisions of the constitution and general statutes of the Commonwealth of Pennsylvania. The City is a class 2A city, as defined by the state statutes. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety, roads, sanitation, health, culture-recreation, and general administrative services.

The City's financial statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

The City has evaluated its relationship with the following organizations to determine if these organizations should be included in the annual government-wide and fund financial statements of the City:

- Sewer Authority of the City of Scranton, Pennsylvania
- Parking Authority of City of Scranton, Pennsylvania
- Scranton Municipal Recreation Authority
- Redevelopment Authority of the City of Scranton
- Scranton Housing Authority
- Scranton School District
- Scranton Lackawanna Health and Welfare Authority
- Municipal Industrial Development Authority of Scranton
- Joint Zoo Authority of the City of Scranton and the County of Lackawanna
- Scranton Public Library
- Single Tax Office

The City has concluded that the following organizations should be presented in the City's financial statements:

- Redevelopment Authority of the City of Scranton
- Sewer Authority of the City of Scranton, Pennsylvania
- Parking Authority of City of Scranton, Pennsylvania

The City has not included the other organizations, as they City is not financially accountable for these organizations.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### The Reporting Entity (continued)

- 1) Component Unit - In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The basis for determining component units is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. This type of entity may then be reported in one or two following manners:

Discrete presentation – Financial data for the component unit is presented in a column separate from that of the City's financial data. There is no such presentation included in the City's government-wide and fund financial statements.

Blended presentation – Financial data for the component unit is presented in the same manner as that of the City's financial data and is reported as part of the City's financial operations.

- 2) Joint Venture – A legal entity or other organization resulting from a contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. There are no such entities included in the City's reporting entity.
- 3) Related Organization – An organization for which the City is not financially accountable even though the City appoints a voting majority of the organization's governing board.

As a result of applying these criteria, the following organizations have been categorized and determined to be and are presented as blended component units for the year ended December 31, 2017.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **The Reporting Entity (continued)**

Sewer Authority of the City of Scranton, Pennsylvania: The Sewer Authority of the City of Scranton, Pennsylvania (the Sewer Authority) owns the sewer system that provides waste water treatment services to the City and nearby communities. The City appoints all the Sewer Authority members and guarantees its loans with Pennsylvania Infrastructure Investment Authority (Pennvest). The Sewer Authority reports its financial position and its operating activities on a fiscal year of April 1 to March 31. The Sewer Authority is a blended component unit. The Sewer Authority was sold during the City's fiscal year ended December 31, 2017.

The Parking Authority of the City of Scranton, Pennsylvania: The Parking Authority of the City of Scranton, Pennsylvania (the Parking Authority) operates parking facilities within the City. The City appoints all Parking Authority members and the City guaranteed its bonded debt. An audit of the Parking Authority of the City was not completed for December 31, 2016 and no financial statements have been prepared or included in the City's report for the year ended December 31, 2017 as part of its reporting entity. The Parking Authority should be a discretely presented component unit.

Redevelopment Authority of the City of Scranton: The Redevelopment Authority of the City of Scranton (the Redevelopment Authority) operates for the purpose of promoting the elimination of blighted areas by declaring acquisition, sound replanning and redevelopment of such areas to be for the promotion of health, safety, convenience, and welfare for the general public good, through contract with private redevelopers and public authorities for redevelopment. The City appoints all Redevelopment Authority members and assigned repayment on seven loans receivable related to Urban Development Action Grants, Enterprise Development Zone Grants, and Commercial Industrial Loans toward repayment of the Redevelopment Authority's debt and is financially dependent upon the City. The Redevelopment Authority is a blended component unit.

To obtain individual financial statements for any of the above-mentioned entities, individuals should contact the administrative office of each specific entity.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Basic Financial Statements – Government-wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, parks, recreation and culture and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. For the most part, the effect of interfund activity has been removed from these statements. The City's net position is reported in two parts - investment in capital assets, net of related debt, and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenue (property and income taxes and certain intergovernmental revenue). For the most part, the effect of interfund activity has been removed from these statements. The statement of activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants, and contributions. The program revenue must be directly associated with the function or business-type activity. Program revenue include revenue from fines, licenses and permit fees, and charges for services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grant column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenues (property and income taxes, intergovernmental revenue, interest income, etc.).

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.



## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Basic Financial Statements - Fund Financial Statements**

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The model as defined in GASB Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City reports the following major funds:

##### Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City has four governmental funds:

- a) The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources, except those legally or administratively required to be accounted for in another fund.
- b) Special Revenue Funds are utilized to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) used to finance specific activities as required by law or administrative regulation. The following funds included in the accompanying government-wide and fund financial statements are accounted for as Special Revenue Funds: Special Cities, Liquid Fuels, Office of Economic and Community Development (OECD), and Redevelopment Authority of the City of Scranton.

The OECD is classified as a major fund. The remaining Special Revenue Funds are classified as non-major funds.

- c) Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt. The fund balance of the Debt Service Fund is reserved to signify the amounts are restricted exclusively for Debt Service Expenditure, and is classified as a non-major fund.
- d) Capital Project Fund is used to account for the acquisition or construction of capital facilities being financed from general obligation bond proceeds, or transfers from other funds and is classified as a non-major fund.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Basic Financial Statements - Fund Financial Statements (continued)

###### Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue for the City's proprietary funds are charges for water and sewer services. Operating expenses for the City's proprietary funds include salaries, utility costs for the sewer plant, supplies, administrative costs, maintenance and depreciation on capital assets. All revenue or expenses not meeting this definition are reported as non-operating revenue and expenses.

The City's proprietary funds are classified as internal revenue funds and enterprise funds.

- a) Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments on a cost reimbursement basis. The City accounts for its self-insurance of workers' compensation claims in this fund. These are Proprietary fund reported within the governmental activities in the government-wide financial statements.
- b) Enterprise Funds are used for activities which are financed and operated in a manner similar to businesses in the private sector, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Sewer Authority is the only enterprise fund of the City.

###### Fiduciary Funds

The focus of the fiduciary fund is to account for assets held by the City in a trustee capacity or an agent for individuals, private organizations, other governmental units and/or other funds. The Pension Trust Funds consist of the Police Pension Fund, Firemen Pension Fund, and Nonuniformed Pension Fund. These funds are accounted for within a single aggregate fund.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Basis of Accounting**

Basis of accounting refers to the point at which revenue or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity. Reimbursements are reported as reductions to expenses.

**Accrual:** Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting, although the internal activity is not eliminated from the proprietary and fiduciary fund statements. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Pension trust funds recognize employer and participant contributions in the period in which the contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Modified Accrual:** The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Major revenue sources susceptible to accrual include: Act 511 taxes, property taxes, refuse disposal fee, intergovernmental revenues, and investment income. In general, other revenues are recognized when received.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than program revenue. Likewise, general revenue includes all taxes.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Basis of Accounting (continued)**

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the utility fund is charges to customers for services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City reports unearned revenue on its government-wide and fund financial balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

##### **Budgets and Budgetary Accounting**

The City prepares an annual operating budget for the general fund on a basis consistent with accounting principles generally accepted in the United States of America. The preparation of the annual operating budget begins by September 15 for the subsequent budget year. By November 15, the Mayor submits to City Council a proposed budget for the general fund for the fiscal year commencing January 1. City Council publishes, in one or more newspapers of general circulation within the City, a summary of the budget and a notice that the budget is available for public inspection. A public hearing takes place by December 1, at which time City Council may adopt the budget with or without amendment. In amending the budget, City Council may delete, increase or decrease programs or amounts, except for expenditures required by law or for debt service. If a change in a program or a budgetary item exceeds 10% of the Mayor's proposed budget, another public hearing must take place within 72 hours to justify the change. In no case can an amendment increase authorized expenditures to an amount greater than total estimated funds available. City Council must adopt an annual budget by December 15. If City Council fails to adopt a budget by December 15, the Mayor's proposed budget becomes the official budget for the City for the ensuing year.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

##### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash and all other investment instruments with original maturities of three months or less.

##### **Investments**

Investments are stated at fair value based on quoted market prices. Fair value is the amount at which a financial investment could be exchanged in a current transaction between willing parties.

The City categorizes its fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; Level 2 inputs are valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and Level 3 inputs are valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker traded transactions.

##### **Real Estate Taxes**

Real estate taxes are based upon assessed valuations provided by Lackawanna County. The elected tax collector bills and collects real estate taxes. The assessed value at January 1, 2017, upon which the 2017 levy was based, was approximately \$395 million. Delinquent taxes for the first year are collected by the Single Tax Office and thereafter are collected by an outside collection agency.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Real Estate Taxes (continued)

The schedule for real estate taxes levied is as follows:

February 1	Original levy date
February 1 – March 1	2 ½% discount period
March 1 – April 30	2% discount period
May 1 – June 30	Face payment period
July 1 – January 15	10% penalty period
January 16	Lien date

In addition, City taxes may be paid in four installments, in which the first two quarterly payments aggregating 50% of the face amount are due by June 30. The third and fourth quarterly payments are due on August 31 and October 31, respectively. Any delinquent installment is subject to a penalty of 10%. The City utilizes the reserve method for writing off uncollectible real estate taxes.

	<b>Pension Trust</b>
<b>ASSETS</b>	
Cash and investments	\$ 74,084,039
Receivables:	
Members' contributions	<u>48,618</u>
<b>Total Assets</b>	<u><b>74,132,657</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	
<b>Net Position</b>	
Held in trust for pension benefits	<u><b>\$ 74,132,657</b></u>

The millage rate at January 1, 2017 was 232.521 mills on the assessed value of land and 50.564 mills on the assessed value of improvements.

##### Loans Receivable

Loans receivable consist of economic development loans to third parties that are administered by OECD. Most of these loans bear interest, usually at a very low rate. These loans receivable are reported at the gross principal outstanding. The outstanding loans are considered unearned revenue until collection of the principal is received. Interest income is recorded when received.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as due to and due from funds. Short-term interfund loans are reported as interfund receivables and payables. Long-term interfund loans are reported as advances from and to other funds. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

##### Fixed Assets

The accounting for property, plant and equipment (fixed assets) depend on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

	Redevelopment Authority	Governmental Funds
	Useful Life	Useful Life
Building and Building Improvements	N/A	20-50 years
Land Improvements	N/A	10-15 years
Equipment/Furniture	15 years	5-7 years
Vehicles	N/A	8-15 years
Extraordinary repairs	N/A	N/A
Roadways	N/A	30-50 years
Traffic Systems	N/A	15 years

In the government-wide financial statements, fixed assets are accounted for as capital assets. The City has elected to report general infrastructure assets retroactively.

Depreciation of all exhaustible fixed assets is recorded as a direct expense in the accompanying statement of activities, with accumulated depreciation reflected in the statement of net position.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Fixed Assets (continued)**

Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

##### **Compensated Absences**

The City's vacation policy generally provides that unused vacation benefits lapse at year-end. Unused vacation may be carried over only with the approval of the department head. Unused sick pay accumulates to varying maximum amounts for the various classes of City employees. As of December 31, 2017, aggregate liability for unused vacation and sick pay was \$3,310,745.

##### **Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Bond discounts, premium, the reacquisition price, and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The government fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.



## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Net Position and Fund Balances**

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

**Investment in Capital Assets, Net of Related Debt:** This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted Net Position:** This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position:** This category represents the net position of the City, which are not restricted for any project or other purpose. However, these funds may be designated for specific projects or purposes in the financial statements.

##### **Fund Equity**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable fund balance** – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

**Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation;

**Committed fund balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

**Assigned fund balance** – amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

**Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Implementation of New Accounting Principles**

The City has adopted the provisions of Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"; Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"; Statement No. 80, "Blending Requirements for Certain Component Units"; Statement No. 81, "Irrevocable Split-Interest Agreements". Statement No. 82, "Pension Issues." The adoption of this standard does not have a material effect on these statements.

As of the year ended December 31, 2017, GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"; Statement No. 83, "Certain Asset Retirement Obligations"; Statement No. 84, "Fiduciary Activities"; Statement No. 85, "Omnibus 2017"; Statement No. 86, "Certain Debt Extinguishment Issues"; Statement No. 87, "Leases." It is expected that GASB Statement No. 75 will have a material impact on the City's financial statements. The City is analyzing the effects of these pronouncements and plans to adopt them as applicable by its effective date.

#### **2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

##### **Policies and Practices**

Pennsylvania statutes authorize the City to invest into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Commonwealth of Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. These statutes do not prescribe regulations related to demand deposit; however, they do allow the pooling of governmental funds for investment purposes.

The deposit policy of the City adheres to state statutes. Deposits of the City are either maintained in demand deposits or invested in certificates of deposit.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. As of year-end, the carrying amount of combined deposits was \$55,606,876, and the collected bank balance was \$55,689,310.

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

#### Policies and Practices (continued)

The uninsured balances were fully collateralized by securities placed with the respective bank escrow agents held in the City's name. As of December 31, 2017, the City's deposits were not exposed to custodial credit risk.

#### Investments

As of December 31, 2017, the City had the following investments:

Types of Investments	Fair Value / Carrying Amount	Cost
<b>GOVERNMENTAL FUNDS</b>		
Primary Government:		
Internal Service Fund		
Cash and Cash Equivalents	\$ 7,756,692	\$ 7,756,692
Corporate Obligations:		
Corporate-Domestic Bonds	5,106,310	5,094,887
Governmental Securities:		
U.S. Government Agencies	222,540	225,322
Mutual Funds:		
U.S. Agency Equity Funds	6,130,826	6,203,971
Total Internal Service Fund	<u>\$ 19,216,368</u>	<u>\$ 19,280,872</u>
	Fair Value / Carrying Amount	Cost
<b>FIDUCIARY FUNDS</b>		
Pension Trust Fund		
Mutual Funds:		
Cash Equivalents	\$ 3,607,271	\$ 3,607,271
Equity Mutual Funds	27,251,577	27,102,782
Bond Mutual Funds	43,225,191	38,561,511
Total Pension Trust Fund	<u>\$ 74,084,039</u>	<u>\$ 69,271,564</u>

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

#### Investments (continued)

The City has the following recurring fair value investments as of December 31, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurement Using</u>		
		<u>in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Input (Level 3)</u>
Primary Government:				
Corporate Obligations:				
Corporate-Domestic Bonds	\$ 5,106,310	\$ 5,106,310	\$ -	\$ -
Governmental Securities:				
U.S. Government Agencies	222,540	222,540	-	-
Mutual Funds:				
U.S. Agency Equity Funds	6,130,826	6,130,826	-	-
Subtotal Government Funds	<u>\$ 11,459,676</u>	<u>\$ 11,459,676</u>	<u>\$ -</u>	<u>\$ -</u>
Pension Trust Fund				
Mutual Funds:				
Equity Mutual Funds	\$ 27,251,577	\$ 27,251,577	-	-
Bond Mutual Funds	43,225,191	43,225,191	-	-
Subtotal Pension Trust Fund	<u>\$ 70,476,768</u>	<u>\$ 70,476,768</u>	<u>\$ -</u>	<u>\$ -</u>

The City did not have a formal investment policy. Investments are monitored through an investment advisor. On September 21, 2010, the City entered into an agreement with Penn Security Bank & Trust for \$10,000,000 and Fidelity Deposit & Discount Bank for the remaining assets of the Workmen's Compensation Fund (Internal Service Fund).

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. To the extent practical, investments are matched with anticipated cash flows.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer.

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

**CITY OF SCRANTON, PENNSYLVANIA**

**Notes to the Financial Statements  
December 31, 2017**

**3. TAXES AND FEES RECEIVABLE**

Taxes and fees receivable in the general fund consist of the following at December 31, 2017:

Real estate taxes	\$ 11,098,809
Act 511 taxes:	
Earned income	7,132,697
Delinquent refuse disposal fee	<u>7,815,457</u>
Total	26,046,963
Less: Allowance for uncollectible taxes and fees	<u>(7,349,944)</u>
<b>Total Taxes and Fees Receivable, Net</b>	<b><u>\$ 18,697,019</u></b>

**4. DUE FROM AND DUE TO OTHER FUNDS**

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
OECD	\$ 53,689	\$ -
Special Cities	709,286	1,204,549
Internal Service Fund	-	2,000,000
Special Cities		
General Fund	1,204,549	709,286
OECD		
Redevelopment Authority	521,603	-
General Fund	-	53,689
Redevelopment Authority		
OECD		521,603
Internal Service Fund		
General Fund	<u>2,000,000</u>	
<b>Total</b>	<b><u>\$ 4,489,127</u></b>	<b><u>\$ 4,489,127</u></b>

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance December 31, 2016	Additions	Disposals	Balance December 31, 2017
<b>Governmental Activities:</b>				
Land	\$ 3,485,506	\$ -	\$ -	\$ 3,485,506
Construction in progress	2,406,437	4,179,480	-	6,585,917
Building	12,103,899	-	-	12,103,899
Land and building improvements	8,699,878	-	-	8,699,878
Infrastructure	132,206,565	-	-	132,206,565
Vehicles, furniture, and equipment	22,860,848	1,975,936	-	24,836,784
<b>Total</b>	<b>181,763,134</b>	<b>6,155,416</b>	<b>-</b>	<b>187,918,550</b>
<b>Less: Accumulated depreciation</b>				
Building	(5,265,941)	(345,826)	-	(5,611,766)
Land and building improvements	(5,954,814)	(248,568)	-	(6,203,382)
Infrastructure	(70,299,139)	(3,305,164)	-	(73,604,303)
Vehicles, furniture, and equipment	(16,125,675)	(1,847,993)	-	(17,973,668)
<b>Total</b>	<b>(97,645,569)</b>	<b>(5,747,551)</b>	<b>-</b>	<b>(103,393,120)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 84,117,565</b>	<b>\$ 407,865</b>	<b>\$ -</b>	<b>\$ 84,525,430</b>
	<b>March 31, 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>March 31, 2017</b>
<b>Business-Type Activities:</b>				
Land	\$ 130,029	\$ -	\$ (130,029)	\$ -
Construction in progress	13,582,943	8,940,393	(22,523,336)	-
Building and building improvements	148,255,982	4,314,127	(152,570,109)	-
Equipment	5,763,487	559,912	(6,315,889)	7,510
<b>Total</b>	<b>167,732,441</b>	<b>13,814,432</b>	<b>(181,539,363)</b>	<b>7,510</b>
<b>Less: Accumulated depreciation</b>				
Building and building improvements	(82,630,198)	(2,260,591)	84,890,789	-
Equipment	(3,371,109)	(510,623)	3,881,609	(123)
<b>Total</b>	<b>(86,001,307)</b>	<b>(2,771,214)</b>	<b>88,772,398</b>	<b>(123)</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 81,731,134</b>	<b>\$ 11,043,218</b>	<b>\$ (92,766,965)</b>	<b>\$ 7,387</b>

Depreciation expense was charged to governmental functions as follows:

General	\$ 104,787
Public Safety	618,613
Public Works	4,542,924
Parks and Recreation	481,227
<b>Total Depreciation Expense</b>	<b>\$ 5,747,551</b>

### 6. SHORT-TERM DEBT

During the year ended December 31, 2017, the City issued a tax anticipation note for \$12,750,000. The note was repaid, with interest, during the year for \$12,964,896.

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 7. LONG-TERM DEBT

Type of Debt	Balance Outstanding December 31, 2016	Additions	Reductions	Balance Outstanding December 31, 2017	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds:					
Emmaus General Authority Series 2002	\$ 4,405,000	\$ -	\$ 300,000	\$ 4,105,000	\$ 310,000
Series B of 2003	25,195,000	-	25,195,000	-	-
Series C of 2003	13,270,000	-	13,270,000	-	-
Series D of 2003	6,135,000	-	6,135,000	-	-
Series A of 2012	6,075,000	-	6,075,000	-	-
Series C of 2012	6,655,000	-	6,655,000	-	-
Series A and AA of 2016	39,278,595	-	2,103,595	37,175,000	2,605,000
Series A of 2017	-	24,620,000	-	24,620,000	2,000,000
Total General Obligation Bonds	101,013,595	24,620,000	59,733,595	65,900,000	4,915,000
General Obligation Notes:					
Series B of 2012	800,000	-	800,000	-	-
Series A of 2013	3,774,025	-	3,774,025	-	-
Series of 2016	35,563,692	-	2,723,692	32,840,000	235,000
Total General Obligation Notes	40,137,717	-	7,297,717	32,840,000	235,000
Lease Obligations Payable					
2006 Capitalized Lease Equip Energy System	700,428	-	700,428	-	-
2006 Capitalized Lease Buildings	8,820,000	-	1,115,000	7,705,000	910,000
2016 Capitalized lease equipment	1,587,346	-	569,659	1,017,687	345,804
Total Lease Obligations Payable	11,107,774	-	2,385,087	8,722,687	1,255,804
Notes Payable:					
DCED Act 47 Loan	600,000	-	100,000	500,000	100,000
PIB loan	2,034,454	-	211,660	1,822,794	215,125
Total Notes Payable	2,634,454	-	311,660	2,322,794	315,125
Other Long Term Liabilities					
Worker's Compensation claims	21,559,564	353,943	-	21,913,507	-
Compensated absences	3,445,921	-	135,176	3,310,745	-
Other post employment benefits	39,734,068	6,726,729	-	46,460,797	-
Net pension liability	161,894,406	-	69,660,030	92,234,376	-
Total Other Long Term Liabilities	226,633,959	7,080,672	69,795,206	163,919,425	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 381,527,499</b>	<b>\$ 31,700,672</b>	<b>\$ 139,523,265</b>	<b>\$ 273,704,906</b>	<b>\$ 6,720,929</b>
	<b>March 31, 2016</b>			<b>March 31, 2017</b>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds:					
2011 Series A	\$ 18,295,000	\$ -	\$ 18,295,000	\$ -	\$ -
2011 Series B	6,130,000	-	6,130,000	-	-
2014 Series	9,800,546	-	9,800,546	-	-
2015 Series	7,835,821	-	7,835,821	-	-
Total Revenue Bonds	\$ 42,061,367	\$ -	\$ 42,061,367	\$ -	\$ -
Notes Payable:					
2000 Series Pennvest	\$ 1,968,854	\$ -	\$ 1,968,854	\$ -	\$ -
2002 Series Pennvest	2,175,195	-	2,175,195	-	-
2003 Series Pennvest	1,207,786	-	1,207,786	-	-
2004 Series Pennvest	2,160,855	-	2,160,855	-	-
2007 Series Pennvest	2,827,067	-	2,827,067	-	-
2012 Series Pennvest	7,714,934	-	7,714,934	-	-
2015 Series Pennvest	6,285,975	-	6,285,975	-	-
Total Notes Payable	\$ 24,340,666	\$ -	\$ 24,340,666	\$ -	\$ -
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 66,402,033</b>	<b>\$ -</b>	<b>\$ 66,402,033</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL LONG TERM DEBT</b>	<b>\$ 447,929,532</b>	<b>\$ 31,700,672</b>	<b>\$ 205,925,298</b>	<b>\$ 273,704,906</b>	<b>\$ 6,720,929</b>

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 7. LONG-TERM DEBT (continued)

A summary of long-term debt outstanding at December 31, 2017 is as follows:

Emmaus General Authority Series 2002: Variable rate demand bonds, Series of 1996 of Emmaus General Authority, due in annual principal installments of \$190,000 to \$440,000, commencing August 2004 through August 2028. Monthly payments of interest based upon a pro rata share of the interest accrued on the variable rate bonds calculated by the administrator based on the interest rates determined by the remarketing agent for the current month plus interest at the rate estimated by the administrator for the remaining portion of the month which has been determined by the Remarketing Agent, plus 55 basis points. Interest at December 31, 2017, was 2.45%.

General Obligation Bonds, Series B of 2003: On August 1, 2003, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 52, of 1978 issued \$35,650,000, of 1.30% to 4.50% General Obligation Bonds, Series B of 2003 to provide funds to advance refund the City's General Obligation Bonds, Series of 1997 A, to advance refund the City's General Obligation Bonds, Series of 2001C, to fund various projects within the City, capitalize a portion of the interest on the bonds and pay the costs and expenses related to issuing and insuring the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2031. The bonds maturing on or after September 1, 2014, are subject to redemption prior to their stated dates of maturity at the option of the City on or after September 1, 2013, at a redemption price of 100%. These bonds were refunded during the year ended December 31, 2017.

General Obligation Bonds, Series C of 2003: On August 1, 2003, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 52, of 1978 issued \$18,145,000, of 1.40% to 5.60% Federally Taxable General Obligation Bonds Pension Funding, Series C of 2003 to pay off pension management termination fee, fund the actuarial accrued liability, capitalize a portion of the interest on the bonds and pay the costs and expenses related to issuing and insuring the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2033. The bonds maturing on or after September 1, 2014, are subject to redemption prior to their stated dates of maturity at the option of the City on or after September 1, 2013, at a redemption price of 100%. The bonds were redeemed during the year ended December 31, 2017.

General Obligation Bonds, Series D of 2003: On August 1, 2003, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 52, of 1978 issued \$13,480,000, of 1.40% to 5.50% Federally Taxable General Obligation Bonds, Series D of 2003 to fund the actuarial accrued workmen's compensation liability capitalize a portion of the interest on the bonds and pay the costs and expenses related to issuing and insuring the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2023. The bonds maturing on or after September 1, 2014, are subject to redemption prior to their stated dates of maturity at the option of the City on or after September 1, 2013, at a redemption price of 100%. The bonds were redeemed during the year ended December 31, 2017.



## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 7. LONG-TERM DEBT (continued)

General Obligation Bonds, Series A of 2012: On October 23, 2012, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a), issued \$9,850,000, of 8.50% General Obligation Bonds, Series A of 2012 to fund a portion of the City's working capital deficit and pay the costs and expenses related to issuing the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2022. The bonds were redeemed during the year ended December 31, 2017.

Mandatory Redemption: The bonds are not subject to redemption at the option of the City prior to maturity. The bonds are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The bonds are subject to mandatory redemption prior to maturity, in part at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to date fixed for redemption, on September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

Extraordinary Redemption: The bonds maturing on and after September 1, 2013, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2013, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The bonds are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

General Obligation Notes, Series B of 2012: On October 23, 2012, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a) issued \$1,470,000, of 8.5% General Obligation Notes, Series B of 2012 to refund a portion of the City's General Obligation Notes, Series A of 2003 (the Refunded 2003A Notes); refund a portion of the City's General Obligation Notes, Series B of 2003 (the Refunded 2003B Notes); refund a portion of the City's Federally Taxable General Obligation Pension Funding Notes, Series C of 2003 (the Refunded 2003C Notes); refund a portion of the City's Federally Taxable General Obligation Notes, Series D of 2003 (the Refunded 2003D Notes, and together with the Refunded 2003A Notes, Refunded 2003B Notes, and the Refunded 2003C Notes, collectively, the Refunded Notes); the payment of the costs and expenses related to issuing the 2012 Notes. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2022. The bonds were redeemed during the year ended December 31, 2017.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 7. LONG-TERM DEBT (continued)

**Mandatory Redemption:** The bonds are not subject to redemption at the option of the City prior to maturity. The bonds are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The bonds are subject to mandatory redemption prior to maturity, in part at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to date fixed for redemption, on September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

**Extraordinary Redemption:** The bonds maturing on and after September 1, 2013, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2013, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The bonds are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

**General Obligation Bonds, Series C of 2012:** On December 12, 2012, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a), issued \$9,750,000, of 7.50% General Obligation Bonds, Series C of 2012 to fund a portion of the City's working capital deficit and pay the costs and expenses related to issuing the bonds. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2022. The bonds were redeemed during the year ended December 31, 2017.

**Mandatory Redemption:** The Notes are not subject to redemption at the option of the City prior to maturity. The Notes are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The Notes are subject to mandatory redemption prior to maturity, in part, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to date fixed for redemption, on September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

**Extraordinary Redemption:** The Notes maturing on and after September 1, 2013, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2013, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The Notes are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 7. LONG-TERM DEBT (continued)

General Obligation Notes, Series A of 2013: On January 9, 2013, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a) issued \$4,910,000, of 7.25% General Obligation Notes, Series A of 2013 to refund a portion of the City's working capital deficit, refund the refunded 2003 A, B, C, and D Notes noted above and pay the costs and expenses related to issuing the Notes. Interest is payable on March 1, and September 1, each year with final maturity September 1, 2023. The bonds were redeemed during the year ended December 31, 2017.

Mandatory Redemption: The Notes are not subject to redemption at the option of the City prior to maturity. The Notes are subject to mandatory redemption from required sinking fund amortization and extraordinary mandatory redemption. The Notes are subject to mandatory redemption prior to maturity, in part, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to date fixed for redemption, on September 1, of each year following years in the indicated principal amounts as drawn by lot by the Paying Agent.

Extraordinary Redemption: The Notes maturing on and after September 1, 2014, are subject to extraordinary mandatory redemption prior to maturity, as whole or in part at any time, on or after March 30, 2014, at the discretion of the City, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest thereon to the date fixed for such mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the City. "Available amounts" shall be equal to the available amounts as determined under section 1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended. The Notes are general obligations of the City, secured by a pledge of its full faith, credit, and taxing powers.

General Obligation Notes, Series of 2016: On August 24, 2016, the City of Scranton, in accordance with the local governmental Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Section 8111(a) issued \$32,850,000 of 5.00% General Obligation Notes. Proceeds of the Notes are to be applied for and towards the costs of a project consisting of: (a) refunding the City's outstanding lease rental debt represented by the City's respective guaranties of The Parking Authority of the City of Scranton, Pennsylvania's (the "Parking Authority") Guaranteed Parking Revenue Bonds, Series of 2004, the Parking Authority's Guaranteed Parking Revenue Bonds, Series of 2006 and the Parking Authority's Guaranteed Parking Revenue Bond, series of 2007 (collectively, the "Refunded Bonds"); (b) funding various capital improvements in the City, including renovations to certain fire stations located in the City" and (c) paying the costs related to the issuance of the Notes. Interest is payable on May 15, and November 15, each year with final maturity November 15, 2026.

Mandatory Redemption: The Notes are subject to redemption at the option of the City prior to maturity. The Notes are subject to mandatory redemption from required sinking fund amortization. The Notes are subject to mandatory redemption prior to maturity, in part, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to date fixed for redemption, on November 15 of each year, drawn by lot by the Paying Agent.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 7. LONG-TERM DEBT (continued)

General Obligation Bonds, Series A and AA of 2016: In June 2016, the City issued Guaranteed Lease Revenue Bonds, Series A of 2016 in the amount of \$29,810,000 and Guaranteed Lease Revenue Bonds, Series AA of 2016 in the amount of \$7,920,000.

Governmental Notes Payable: On September 12, 2012, the City of Scranton borrowed \$2,000,000, non-interest bearing loan under the Municipalities Financial Recovery Program from the Commonwealth of Pennsylvania acting through the Department of Community and Economic Development. The loan required a payment of \$1,000,000, within 30 days of the receipt of the 2012 unfunded debt settlement and thereafter \$50,000 semiannual payments on May 31 and November 30 of each year, with a maturity of November 2022.

Long-Term Trade Debt: In 2013, the City entered into a temporary forbearance agreement with Keystone Sanitary Landfill. The parties agreed that for calendar year 2013 only, the City shall pay tipping fees to Keystone until the City has paid the sum of \$417,500. Once paid, all remaining tipping fees for 2013 shall be deferred. The agreement estimated that \$1,000,000 forbearance would be required. Beginning on January 15, 2014, the City shall, in addition to its contractually bound per ton tipping fees, the amount of \$27,778 for 36 consecutive months ending December 15, 2016. Since the agreement is an estimating, the 36th payment will be adjusted to reflect the actual deferred amount. The actual amount of the temporary forbearance agreement was \$918,597. Based upon actual forbearance, the City will make 33 payments of \$27,778, and paid the forbearance in October 2016.

PIB Loan: In 2015, the City of Scranton borrowed \$2,242,820 at an interest rate of 1.625%. Principal and interest payments are due annually through 2025.

General Obligation Bonds, Series of 2017: In August 2017, the City issued General Obligation Bonds in the amount of \$24,620,000, at an interest rate of 5%. Principal and interest are due each year on September 1 through September 2029. The bonds were used to refund the Series B of 2003 debt. The City has covenanted that it will include in its budget in each fiscal year the amount required to pay debt service on the Bonds for such year, it will appropriate from its general revenues in each such fiscal year, the amount required to pay debt service on the Bonds for such year, and it will duly and punctually pay or cause to be paid when due, from its sinking fund or any other of its revenues or funds, the principal of and interest on the Bonds at the dates and place and in the manner stated therein, according to the true intent and meaning thereof.

**CITY OF SCRANTON, PENNSYLVANIA**

**Notes to the Financial Statements  
December 31, 2017**

**7. LONG-TERM DEBT (continued)**

Future debt service requirements as of December 31, 2017, were as follows:

For the Years Ending December 31,	Governmental Activities General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 4,915,000	\$ 3,255,257	\$ 8,170,257
2019	5,180,000	3,006,550	8,186,550
2020	5,445,000	2,750,963	8,195,963
2021	5,735,000	2,482,188	8,217,188
2022	6,170,000	2,198,975	8,368,975
2023-2027	28,910,000	6,424,300	35,334,300
2028-2031	9,545,000	703,150	10,248,150
<b>Total</b>	<b>\$ 65,900,000</b>	<b>\$ 20,821,382</b>	<b>\$ 86,721,382</b>

For the Years Ending December 31,	Governmental Activities General Obligation Notes		
	Principal	Interest	Total
2018	\$ 235,000	\$ 1,642,000	\$ 1,877,000
2019	245,000	1,630,250	1,875,250
2020	260,000	1,618,000	1,878,000
2021	270,000	1,605,000	1,875,000
2022	285,000	1,591,500	1,876,500
2023-2027	9,680,000	7,337,250	17,017,250
2028-2032	21,865,000	3,097,250	24,962,250
<b>Total</b>	<b>\$ 32,840,000</b>	<b>\$ 18,521,250</b>	<b>\$ 51,361,250</b>

For the Years Ending December 31,	Governmental Activities Notes Payable		
	Principal	Interest	Total
2018	\$ 315,125	\$ 29,844	\$ 344,969
2019	318,647	26,322	344,969
2020	322,227	22,742	344,969
2021	325,865	19,104	344,969
2022	329,562	15,406	344,969
2023-2025	711,369	23,422	734,791
<b>Total</b>	<b>\$ 2,322,795</b>	<b>\$ 136,841</b>	<b>\$ 2,459,636</b>

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 7. LONG-TERM DEBT (continued)

The debt service for capitalized leases is as followed for governmental activities:

For the Years Ending December 31,	Principal	Interest	Total
2018	\$ 1,304,120	\$ 507,825	\$ 1,811,945
2019	1,292,963	437,784	1,730,747
2020	1,145,045	366,499	1,511,544
2021	1,168,784	299,649	1,468,433
2022	1,194,901	230,335	1,425,236
2023-2024	2,616,874	240,560	2,857,434
<b>Total</b>	<b>\$ 8,722,687</b>	<b>\$ 2,082,653</b>	<b>\$ 10,805,339</b>

The cost of the assets are	\$ 7,313,278
The accumulated depreciation expense through December 31, 2017 is	2,379,717
The net book value of the capitalized leased building and vehicles is	<u>\$ 4,933,561</u>

### 8. RISK MANAGEMENT

The City's risk management activities are reported with governmental activities and recorded in the Workman's Compensation Internal Service fund. The purpose of this fund is to administer a self-insured retention program (SIR). Claims in excess of SIR limits of \$350,000, are covered through third party insurance policies. Payments of actual claim costs are made by a third party administrator and are billed to the City and reimbursed by the General Fund. The claim costs are reflected as revenues in the Internal Service fund.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters.

The City retains the risk up to various levels depending on the type of risk. Excess loss coverage is purchased for coverage on claims exceeding the retention level.

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 8. RISK MANAGEMENT (continued)

At December 31, 2017, the City's self-insured retention limits are as follows:

Type of Coverage	Self-Insurance Retention (SIR) (All Claims up to)	Excess Coverage Policy (From SIR up to)
General Liability	\$ 50,000	\$ 950,000
Law Enforcement Liability	50,000	950,000
Public Officials Liability	50,000	950,000
Property	50,000	15,000,000
Automobile Liability	50,000	950,000
Excess Workers' Compensation	350,000	Unlimited
Boiler and Machinery	50,000	15,000,000
<b>Accrued Workers' Compensation Claims</b>		

The accrued workers' compensation claim loss reserve of \$21,559,564 as of December 31, 2017, was determined by an actuary and represents the discounted present value of expected losses using a 3.50% interest factor. The actuarial value was determined as of September 25, 2016. The amount of Workers' Compensation Claims operating expense for the Internal Service fund for the year ended December 31, 2017 is calculated as follows:

Claims and Cost Paid	\$ 2,204,097
Increase In Actuarial Discounted Loss Reserves	353,944
<b>Workers' Compensation Claims</b>	<b>\$ 2,558,041</b>

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 8. RISK MANAGEMENT (continued)

#### Accrued Worker's Compensation Claims (continued)

The reconciliation of changes in the aggregate liabilities for the current year and the prior year are as follows:

Calendar Year Ended	Balance Beginning of Calendar Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance End of Calendar Year
12/31/2016	\$ 18,409,101	\$ 5,260,201	\$ 2,109,738	\$ 21,559,564
12/31/2017	21,559,564	2,558,040	2,204,097	21,913,507

### 9. INTERFUND TRANSFERS

Interfund transfers during the year ended December 31, 2017, were as follows:

Operating Transfers	In	Out
General Fund		
Debt Service Fund	\$ -	\$ -
Liquid Fuels Fund	2,930,526	-
Debt Service		
General Fund	-	-
Liquid Fuels		
General Fund	-	2,930,526
<b>Total</b>	<b>\$ 2,930,526</b>	<b>\$ 2,930,526</b>

### 10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS

#### Defined Benefit Plans

The City sponsors and administers three single employer defined benefit pension plans covering substantially all full-time employees. These plans are the Police, Fireman, and Nonuniformed pension plans (the Plans). The Pennsylvania Act 205 and the City's Home Rule Charter assign the authority to establish and amend benefit provisions to the Pension Fund Board as authorized by City Council. The Plans have been designated as severely distressed under Pennsylvania Act 205.



## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

##### Defined Benefit Plans (continued)

The Police Pension Plan provides for normal retirement with 25 years of credited service with a retirement age of 55 years for the members hired on or after July 1, 1987. For members hired prior to July 1, 1987, the Plan provides for normal retirement with 25 years of credit service with a retirement age of 65 years. The Fireman's pension plan provides for normal retirement at age 55 with 25 years of credited service for members hired on or after July 1, 1987. For members hired prior to July 1, 1987, the Plan provides for normal retirement with 25 years of credited service. The Nonuniformed pension plan provides for normal retirement at age 55 with completion of 15 years of service and have contributed to the pension fund for 20 years. Members are 100% vested when eligible.

Information regarding the plans can be obtained from the City. The plans do not issue separate financial statements but are included in the City's fund financial statements as a fiduciary fund type – Pension Trust Funds.

Police and firemen are required to contribute 5% of covered payroll for fiscal year 2016 for members hired on or after July 1, 1987. Police and firemen are required to contribute 5.5% of covered payroll for fiscal year 2016 for members hired prior to July 1, 1987. Nonuniformed nonunion employees are required to contribute 3% of covered payroll but not more than \$22 per month if hired after July 1, 1987. Nonuniformed nonunion employees shall contribute \$24 per month if hired before July 1, 1987 or amounts as determined by ordinance.

Pennsylvania Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act of the Commonwealth of Pennsylvania (as amended) (Act 205) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plans' biennial actuarial valuation. According to Act 205, actuarial valuations may be made biennially and the most recent valuation for all of the City's plans was completed as of December 31, 2016. The MMO is now defined as the total financial requirement to the pension fund, less funding adjustment and estimated member contribution. The Commonwealth of Pennsylvania provides an allocation of funds which must be used for pension funding. Any financial requirements established by the MMO which exceeds Commonwealth and member contributions must be funded by the City. In accordance with Act 205, the City was required to contribute \$15,186,044 to the three plans for the year 2017. Contributions, based on the MMO, in 2016 consisted of the following:

	Police	Firemen	Non-Uniformed	Total
City	\$ 7,996,779	\$ 9,501,455	\$ 1,313,328	\$ 18,811,562
Commonwealth	(1,348,946)	(1,238,627)	(1,036,945)	(3,624,518)
Total	\$ 6,647,833	\$ 8,262,828	\$ 276,383	\$ 15,187,044

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

#### Defined Benefit Plans (continued)

The pension benefit obligations were determined as part of an actuarial valuation at December 31, 2017. The actuarial cost method used is the Entry Age Normal Cost Valuation Method. Significant assumptions used include a rate of return on investment of present and future assets of 7.5% per year net of investment expenses, projected salary increases of 4.5% per year and no cost of living increases. Significant assumptions used include a rate of return on investment of present and future assets of 8% per year net of investment expenses, projected salary increases of 5% per year for the Non-Uniformed and cost of living increases of 5% for members hired before July 1, 1987, and 2.5% per year for disabled members and widows of members hired after June 30, 1987, for the Police and Fire.. Plan assets are valued using a five year smoothing method described in Internal Revenue Service Procedure 2000-40, Approval 16. The unfunded actuarial liability is being amortized as a level percentage of future payroll based upon a 4% annual increase in covered payroll assumption.

#### Defined Contribution Plan

The City contributes to a union sponsored, multi-employer plan for certain employees. The Plan is not administered by the City and contributions are determined in accordance with labor contracts.

#### Pension

The long-term expected rate of return on pension plan investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2017 is below.

Asset Class	Target	Long-Term Expected Real Rate of Return
US Equity	36.00%	5.20%
International Equity	13.50%	5.20%
Emerging Equity	5.50%	5.20%
Core Fixed Income	20.00%	3.00%
Intermediate Inv. Grade Corp	10.00%	3.80%
High Yield	5.00%	4.30%
Emerging Debt	5.00%	4.80%
Cash	0.00%	0.80%
<b>Total Net Blended Return</b>		<b>3.94%</b>

\* Excludes 2.50% inflation assumption.

Long Term Expected Rate of Return (Including Inflation) 6.44%

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

#### Pension (continued)

For the year ended December 31, 2017, the annual money weighted rate of return on pension plan investments, net of investment expense was 12.85%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Actuarial Assumptions.* Total pension liability was determined by an actuarial valuation as of December 31, 2017, utilizing the Entry Age Normal actuarial funding method and the following actuarial assumptions applied to all periods included in the measurement:

Salary Increases	4.50%
Investment Rate of Return	7.50% (Net of pension plan investment expense including inflation)
Retirement Age	Normal retirement: age 55 and 25 years of service for police and firemen. Age 55, 15 years of service and 20 years of contributions for non-uniformed. Early retirement: age 55, 10 years of service and 20 years of contributions for non-uniformed. None for police and firemen. Vesting: 10 years of service for non-uniformed. 25 years of service for police and firemen.
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

The following table summarizes the membership:

<u>Plan Membership</u>	<u>Police Pension Plan</u>	<u>Fireman's Pension Plan</u>	<u>Non- Uniformed Pension Plan</u>
As of December 31, 2017, membership consisted of:			
Inactive Plan Members Currently Receiving Benefits	177	214	120
Inactive Plan Entitled to but not yet Receiving Benefits	-	1	4
Active Plan Members	145	131	131
<b>Total</b>	<b>322</b>	<b>346</b>	<b>255</b>

	<u>Police Pension Plan</u>	<u>Firemen's Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>
Total Pension Liability (TPL)	\$ 75,858,734	\$ 79,937,423	\$ 10,570,876
Plan Fiduciary Net Position	(42,589,981)	(26,739,497)	(4,803,179)
<b>Net Pension Liability (NPL)</b>	<b>\$ 33,268,753</b>	<b>\$ 53,197,926</b>	<b>\$ 5,767,697</b>

<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>56.1%</b>	<b>33.5%</b>	<b>45.4%</b>
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CITY OF SCRANTON, PENNSYLVANIA

Notes to the Financial Statements  
December 31, 2017

10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

Pension (continued)

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the plan, calculated using the discount rate of 8%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

Police Pension Plan			
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 41,292,038	\$ 33,268,753	\$ 26,433,869

Firemer's Pension Plan			
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 60,930,699	\$ 53,197,926	\$ 46,547,939

Non-Uniformed Pension Plan			
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$ 6,682,393	\$ 5,767,697	\$ 4,968,338

For the year ended December 31, 2017, the municipality recognized a pension expense of \$(732,175). At December 31, 2017, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police Pension Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (6,269,110)
Changes in Assumptions	-	(15,925,375)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(623,357)
<b>Total</b>	<b>\$ -</b>	<b>\$ (22,817,842)</b>

**CITY OF SCRANTON, PENNSYLVANIA**

**Notes to the Financial Statements**  
**December 31, 2017**

**10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension (continued)**

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ (4,096,805)
2019	(4,393,757)
2020	(5,186,979)
2021	(5,155,507)
2022	(3,984,794)

For the year ended December 31, 2017, the municipality recognized a pension expense of \$(609,412). At December 31, 2017, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Firemen Pension Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (2,752,627)
Changes in Assumptions	-	(16,541,141)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(642,107)
Total	<u>\$ -</u>	<u>\$(19,935,875)</u>

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ended December 31,</u>	
2018	\$ (5,314,343)
2019	(5,480,576)
2020	(6,177,625)
2021	(2,963,431)

**CITY OF SCRANTON, PENNSYLVANIA**

**Notes to the Financial Statements**  
**December 31, 2017**

**10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension (continued)**

For the year ended December 31, 2017, the municipality recognized a pension expense of \$269,640. At December 31, 2017, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Non-Uniformed Pension Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ (2,046,048)
Changes in Assumptions	563,920	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(77,731)
<b>Total</b>	<b>\$ 563,920</b>	<b>\$ (2,123,779)</b>

Amount reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<b>Year Ended December 31,</b>	<b>Amount</b>
2018	\$ (365,149)
2019	(365,148)
2020	(413,315)
2021	(409,991)
2022	(6,256)

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)**

##### **Other Postemployment Benefit**

Under the terms of its collective bargaining agreements with its police, firemen, clerical, and public works employees, the City is required to provide health insurance to retiring employees who meet the criteria specified in each contract.

Under the police, firemen, and clerical contracts, the City is responsible for providing health insurance to retirees and spouses for the remainder of their lives if the employee was hired or retired prior to December 31, 1993. Employees hired after December 31, 1993, are not eligible for these benefits. The City's contribution for retiree health insurance is equal to the cost in effect in 1993 plus 75% of an increase above that cost. The retiree pays the other 25%.

Under the public works contract, the City will provide health insurance to retirees and spouses only from age 62 to 65. The City's contribution is equal to the cost in effect in 1994 plus 75% of any increase above those costs. The retiree pays the other 25%.

The City uses the cash basis to account for these expenditures. The City has not determined the amount of such expenditures for 2016 nor the number of participants eligible for these benefits.

##### **Termination Benefits Payable**

The City is providing group insurance healthcare termination benefits to various employees, spouses, and dependents. The termination benefits end between August 31, 2013 and February 28, 2043.

Annual termination benefits of \$531,944, have been projected to increase at an annual rate of 7.5% for 2016 and decreasing by 0.5% per year to an ultimate level of 5% per to 0% during 2016, 8.25% during 2017, and reduced by 0.25% per year thereafter to an ultimate level of 5% per year. The present value as of December 31, 2017 was \$7,421,691.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)**

##### **Post-Employment Healthcare Plan**

The City administers a single-employer plan that covers current and former employees as follows:

**Benefits:** If hired prior to January 1, 1996, medical, prescription drug, dental, and vision coverage are provided same as active employees. If hired after January 1, 1996, no post-employment benefits are provided for police, firefighters, and non-uniform union employees. For management and non-union employees, if hired prior to January 1, 1998, medical, prescription drug, dental, and vision coverage are provided same as active employees. If hired after January 1, 1998, no post-employment benefits are provided.

**Eligibility:** Minimum of between 20 to 25 years of service. No minimum for post-employment health and welfare benefits.

**Coverage Period:** From the 2012 settlement, certain named individuals, their spouses and eligible dependents receive coverage for life. Active police and firefighter employees hired prior to January 1, 1996, receive retiree coverage until they and their spouse reach Medicare age or for a period of ten years whichever occurs last. Active employees hired after January 1, 1996, receive no post-employment health benefits for police and firefighters. Non-uniform active employees hired prior to January 1, 1996, receive retiree coverage until they and their spouse reach Medicare age or for a period of ten years whichever occurs last. Non-uniform union employees, management and non-union employees hired between January 1, 1996 and January 1, 1998, receive retiree coverage until they and their spouse reach Medicare age or for a period of three years whichever occurs last. Active employees hired after January 1, 1998, receive no post-employment benefits.

**Medicare Part B:** Active employees hired prior to January 1, 1996 will receive reimbursement of the Medicare Part B premium for themselves and their spouses during their coverage period.

**Retiree Contributions:** From the 2012 settlement, certain named individuals, their spouses and eligible dependents do not pay a contribution for retiree coverage. If retired as of January 1, 2013 or after, all other retirees must contribute 50% of the amount an active employee pays for the same coverage. As of January 1, 2015, that amount is 1.5% of the base pay of a second year firefighter and patrolman. Non-uniform union employees, management, and non-union retirees pay a contribution equal to active employees. For 2015, a single retiree's contribution is \$1,248 per year and a married retiree's is \$1,508 per year.



## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

##### Post-Employment Healthcare Plan (continued)

Spousal Coverage: Yes for police and firefighters. For non-uniform union, management, and non-union employees, coverage ceases when coverage ends for the retiree.

Dependent Child Coverage: Yes and coverage ceases when coverage ends for the retiree or age 26, whichever occurs first.

Survivor Benefits: Yes for the survivor of retirees receiving coverage for life. Coverage ceases for all other spouses after ten years or upon reaching Medicare eligibility, whichever occurs last. There are no survivor benefits for non-uniform union employees.

Permanent Disability: No minimum age or service requirement.

Life Insurance: Regardless of date of hire, life insurance is two times the salary of the firefighter or police officer at the time of retirement. For non-uniform union, management, and non-union, regardless of hire date, life insurance is \$10,000 for the life of the retiree. For police officers and firefighters, life insurance is one times the salary at the date of retirement.

Funding Policy: The required contributions are based upon the pay as you go financing requirements.

Under the pay-as-you-go scenario, the City continues to pay healthcare premiums and cost with no additional contributions to pre-fund the post-employment benefits. A lower discount rate of 4% is assumed since the City's General Fund is the "funding source" and is expected to be conservatively invested. The lower the discount rate, the higher the liabilities and cost. If the City continues to finance retiree healthcare benefits on a pay-as-you-go basis, the underfunded OPEB liability is projected to grow in future years.

An actuarial valuation measures the program's funded status and annual funding of accounting cost based on the assumptions and methods selected. The funded status compares the assets held in segregated irrevocable trust to Actuarial Accrued Liabilities, and the Annual Required Contribution (ARC) represents the Normal Cost plus an amortization of the Unfunded Actuarial Accrued Liability adjusted for interest.

In the valuation process, certain economic and demographic assumptions are made relating to the projection of benefits, as well as the timing and duration of benefits. The stream of expected benefits is discounted to a present value as of the valuation date. The present value is then spread over past service (actuarial accrued liabilities), and service for the current year (normal cost) based on the chosen cost method.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)**

##### **Post-Employment Healthcare Plan (continued)**

Where appropriate, the actuarial assumptions are consistent with the assumptions utilized for pension actuarial valuations or the City experiences were analyzed and assumed the same would in the future.

The following changes in actuarial assumptions have occurred since the January 1, 2015 GASB 45 valuation. In all cases, the revised assumptions better reflect the City's actual experience.

The decrement timing for current active employees has been changed from assuming retirement at the beginning of the year to the middle of the year.

The assumed rate for increase for non-Medicare medical and prescription drug cost has been changed from assuming 8% in 2017 reduced by 0.25% per year to an ultimate level of 5% per year, to 5% in 2017, 8% during 2018 reduced by 0.25% per year to an ultimate level of 5% per year.

The assumed rate for increase for Medicare medical and prescription drug cost has been changed from assuming 5.5% during 2017 reduced by 0.25% per year to an ultimate level of 5% per year to 7% during 2017, 5.5% during 2018 reduced by 0.25% per year thereafter to an ultimate level of 5% per year.

The assumed rate of increase for the Medicare Part B premium has been changed from 1% per year to 2% per year.

The assumed rate of increased applicable to the threshold amounts associated with the ACA Cadillac Tax has been changed from 2.75% per year to 2.50% per year.

The assumed rate of mortality for fire and police has changed from Blue Collar RP-2000 to Blue Collar RP-2000 projected 17 years using Scale AA.

The assumed rate of mortality for non-uniformed employees and retirees has changed from RP-2000 to RP-2000 projected 17 years using Scale AA.

Fire retirees are no longer assumed to retire at a minimum of age 57 and 25 years of service. They are assumed to retire with 25 years of service according to the following: age 55 – 5% rate; age 56-57 – 10% rate; age 58-59 – 15% rate; and age 60+ - 100% rate.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements**

**December 31, 2017**

#### **10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)**

##### **Post-Employment Healthcare Plan (continued)**

Actuarial Cost Method: Entry age normal cost method was used. This cost method effectively spreads liabilities over the working lifetime of active participants as a level dollar amount.

Discount Rate: The discount rate is based upon the funding basis that the sponsor employs. Since the City uses the pay-as-you-go method of funding, benefits to be paid out of the general fund is expected to earn a short-term investment rate of 4%.

Healthcare Cost Trend: The medical and prescription drug trend rate for Non-Medicare retirees is assumed to be 5% in 2017 and 2018, 8% in 2019 decreasing by 0.25% per year to an ultimate level of 5% per year. The medical and prescription drug trend rate for Medicare retirees is assumed to be 7% in 2017 and 2018, 5.5% in 2019 decreasing by 0.25% per year to an ultimate level of 5% per year. The dental and vision trend rate is assumed to be 2% per year. The Medicare Part B Premium trend rate is assumed to be 2% per year.

Retirement: Fire fighters' retirement is assumed to occur between the ages of 55 to 60+ with 25 years of service. Police retirement is assumed to occur at age 55 with 25 years of service. Non-uniformed retirement is assumed to occur at age 60 with 20 years of service.

Mortality: Uniformed – RP – 2000 Tables with Blue Collar Adjustments for Males and Females projected 17 years using Scale AA. Non-uniformed RP – 2000 Tables for Males and Females projected 17 years using Scale AA.

Disability: 1955 United Auto Workers Disability Table.

Withdrawals: Uniformed starting at 5.5% for age 20 and decreasing by a 0.5% every five years until 0.00% at age 50. Non-uniformed starting at 15.0% for age 20 decreasing to 15% at age 25 and then 2.5% every five years until 0.00 at age 55.

Salary Scale: Uniformed employee salaries are assumed to increase at the rate of 2.01% during 2018 and 2019, and 2.26% per year thereafter. The rate is based upon the increases described in the recent Memorandum of Understanding effective 2018 plus an additional 0.5% per year to reflect merit increases/promotions. Salary scale for non-uniformed employees is not necessary for valuation purposes.

# CITY OF SCRANTON, PENNSYLVANIA

## Notes to the Financial Statements December 31, 2017

### 10. PENSION PLANS/OTHER POSTEMPLOYMENT BENEFITS (continued)

#### Post-Employment Healthcare Plan (continued)

Retiree Contribution Increase for Future Retirees: Uniformed contributions are assumed to increase by 44.29% during 2018, 2.01% in 2019, 2.26% in 2020 and 2.52% during 2021 and beyond. Non-uniform excluding Department of Public Works contributions are assumed to increase by 2% per year for retirees and 0% for spouses and dependent children. For the Department of Public Works, no increase is assumed. Contributions are assumed to remain level.

Participation: 100% of retirees who are eligible to participate are assumed to do so.

Marital Status: 85% of future retirees are assumed to be married with a spouse participating in coverage.

Age: Females spouses of future retirees are assumed to be the same age as male spouses.

Children: 50% of retirees are assumed to have a child participating in coverage. The age difference between the retiree and child is assumed to be 38 years.

Annual Required Contribution	\$ 17,083,337
Interest on Net OPEB Obligation	1,292,495
Adjustment to Annual Required Contribution	(2,119,267)
Annual OPEB Cost (Expense)	16,256,565
Interest On Employer Contributions	(202,101)
Contributions Made	(9,327,736)
Increase in Net OPEB Obligation	6,726,728
Net OPEB Obligation- Beginning of Year	32,312,377
<b>Net OPEB Obligation- End of Year</b>	<b>\$ 39,039,105</b>

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
12/31/2015	\$ 14,338,493	58%	\$ 26,125,705
12/31/2016	15,852,366	59%	32,312,377
12/31/2017	16,256,565	57%	39,039,105

Actuarial Valuation Date	Actuarial Value of Plan Assets	Schedule of Funding Process			Annual Covered Payroll	Ratio of UAL to Payroll
		Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio		
01/01/13	\$ -	\$ 184,941,503	\$ 184,941,503	0.00%	\$ 27,259,944	678.44%
01/01/15	-	195,258,597	195,258,597	0.00%	30,528,097	639.60%
01/01/17	-	212,443,320	212,443,320	0.00%	26,160,019	812.09%

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **11. CREDIT AND MARKET RISK**

The City uses its authority to levy certain general purpose taxes. Major taxing revenue sources include real estate, earned income, mercantile, and business privilege taxes. These taxes account for approximately 75% of the total taxes collected by the City in 2016. Although the City has a diversified taxing base, its citizens' ability to honor their taxing obligations is substantially dependent upon the general economic condition of the region. The market value of the City's investments is subject to fluctuations in the prevailing market prices of those investments.

#### **12. RELATED PARTY TRANSACTIONS**

The City paid approximately \$600,000, to the Single Tax Office to subsidize certain operating costs of this entity. The Single Tax Office collected approximately \$30.9 million, of tax revenues on behalf of the City in 2017.

#### **13. COMMITMENTS AND CONTINGENCIES**

##### **Litigation**

Currently, there are various claims and suits pending against the City, the more significant of which are summarized below:

Various lawsuits have been instituted against the City resulting mainly from injuries sustained in accidents on City properties. Legal counsel cannot estimate the probability of successful outcome and the amount of the potential liability from these matters at this time. However, the City has affirmed that it has adequate insurance to cover any possible claim of judgment. The risk in some cases is that a nominal award will be granted and counsel fees of significant sums will be awarded.

The City is a defendant in various labor, employment matters, and liability claims. Counsel for the City cannot determine the likelihood of success at the present time. The City believes the suits are without merit and is vigorously defending its position. The liability, if any, may have a material impact on the financial statements as presented.

The City is a defendant in a condemnation case; the Board of Viewers found a defacto condemnation and awarded damages in the amount of \$247,000. An appeal is de novo and the City instructed its attorneys to file a timely appeal. Legal counsel cannot estimate the probability of successful outcome of the appeal at the present time.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **13. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Litigation (continued)**

In June 2012, the City entered into settlement agreements with both the Fire Fighters and Police Unions. In part it required the City to fully and promptly implement and comply with all terms and conditions of the Act 111 Awards between the parties for the periods 2003-2007 and 2008-2014, including but not limited to the payment of longevity and use and accrual of sick leave and adjustment of existing pensions as a result of the increase in base wages.

On or before June 30, 2013, the City shall pay all back pay damages and interest arising from the application of the terms of the Act 111 Awards between the parties for 2003-2007 and 2008-2014 to all current and former members of the bargaining unit, including the adjustment of the pensions as a result of the increase in base wages. Such damages shall include interest computed from the date initially payable to June 30, 2013, at 6%, compounded in accordance with the procedures established by the Pennsylvania Labor Relations Board and confirmed by the Commonwealth Court. In the event that any delay should occur beyond June 30, 2013, interest shall be computed to date of actual payment.

The City has estimated the damages to be \$27,602,167, including accrued interest through December 31, 2015 and will pay the damages out of a future borrowing and has been accrued in the Government-Wide Financial Statements for active employees. The liability for adjustments of the pension as a result of the increases will be paid out the City Pension Fund and future city contributions under its required municipal minimum obligation will materially increase. As of the date of these financial statements, the City has not paid any amounts arising under the terms of the agreement. During the year ended December 31, 2016, the City reached a settlement agreement with the police and firefighters unions.

The City has been named as a party defendant in two cases with a construction contractor. The contractors are seeking payment allegedly due for services allegedly performed pursuant to a construction agreement. Management of the City is responding to the litigation and intends to contest this case vigorously. If unsuccessful, the potential exposure could be material to the financial statements.

The City is a defendant in a Class Action Suit brought by the Police Pension Fund of Scranton. The plaintiffs are seeking recovery of longevity increases to which they contend they were entitled in addition to their pension payments. Any settlement of funds will be paid out of the Police Pension Fund and will increase longevity payments of retired members on a going forward basis. Potential exposure could be material to the financial statements of the Pension Fund and future city contributions under its required municipal minimum obligation.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **13. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Litigation (continued)**

The City is a defendant in a lawsuit that claims as a result of various flood projects undertaken by the City, the petitioner suffered a de facto condemnation and marked decline in value of their property. The Board of Viewers awarded damages in favor of the petitioner and an appeal is de novo and the City has authorized and directed a timely appeal. If the appeal is unsuccessful, the potential exposure could be material to the financial statements.

##### **Collective Bargaining Agreements**

Substantially all of the City's nonmanagement employees are covered by collective bargaining agreements between the City and various unions.

##### **Fund Deficit Self-Insurance Fund Settlement Agreement**

On December 18, 2001, the City entered into a Settlement Agreement and Release with the Commonwealth of Pennsylvania Department of Labor and Industry, Bureau of Worker's Compensation (the Bureau) in order to maintain its ability to self-insure.

The settlement requires the City to correct various program deficiencies and to provide for unfunded outstanding claims in various annual increments beginning in 2004 through 2012 and to keep current on annual costs for claims, administration, and operating expenses.

During 2003, the City funded the Internal Service Fund with \$13,000,000 from the 2003 debt issuance, thereby meeting the various annual increments through 2013.

In February 2006, the Bureau and the City entered into the third amendment to the irrevocable agreement of trust modification of the December 2001 Settlement Agreement and Release. The agreement modification to allow a deficit of no more than 25% between the City's outstanding liability and asset value of the Reserve Account of the City's Worker's Compensation Trust Fund will require that any shortfall above the permitted 25% deficit amount be funded over a five-year period.

In 1992, the Pennsylvania Department of Community and Economic Development (DCED) declared the City a distressed municipality under the Financially Distressed Municipalities Act (the Act). DCED then appointed the Pennsylvania Economy League as coordinator to administer a recovery plan for the City pursuant to this Act.

During 2015, the City revised and updated its Act 47 Recovery Plan. The 2015 plan identifies mandates that the City must implement to eliminate the City's operating budget deficits as projected by the Act 47 Coordinator.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements**

**December 31, 2017**

#### **14. DISTRESSED MUNICIPALITY STATUS**

##### **Fund Deficit Self-Insurance Fund Settlement Agreement (continued)**

The City's Act 47 Coordinator, in conjunction with the City, worked on a revision to the 2012 Recovery Plan. In October 2014, the State of Pennsylvania signed House Bill 1773 into law. The bill significantly overhauled the Municipalities Financial Recovery Act, Known as Act 47. The new law placed a five-year time limit for municipalities to exit Act 47. For municipalities already under Act 47 and operating under a recovery plan, the termination date for their distressed status will be five years from the effective date of their most recent recovery plan or amendment. The 2015 Revised Recovery Plan was adopted by City Council in March 2015.

The revised Recovery Plan and its provisions outlined below are designed to restore long term fiscal stability, budgetary predictability, and the repair of the City's creditworthiness.

The new Recovery Plan provides the fiscal framework for the City's governing bodies to follow through 2020.

The following mandates are provisions of the 2015 Recovery Plan:

- The City of Scranton will petition the Lackawanna County Court of Common Pleas to increase the Local Services Tax from \$52 per year to \$156 per year. The increased revenue from the tax is included in the City of Scranton 2015 budget;
- The City of Scranton will apply for grant funding to undertake the feasibility and analysis of the creation of a Municipal Solid Waste Collection Authority and, separately, a Storm Water Management Authority;
- The City of Scranton will review the divestiture of other non-essential assets not directly related to the provision of services;
- The Recovery Coordinator will prepare an analysis on the impact of the implementation of a payroll preparation tax. The tax would replace the Business Privilege and Mercantile taxes;
- The City will continue its review of health care and related programs to reduce the rate of increase in employee health care costs;
- Representatives of the City of Scranton and Scranton Housing Authority will meet to determine levels of financial assistance in addition to the lieu of payments provided by the Authority;



## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 14. DISTRESSED MUNICIPALITY STATUS (continued)

##### Fund Deficit Self-Insurance Fund Settlement Agreement (continued)

- The City of Scranton will continue to use its real estate taxing authority to eliminate operating deficits projected to occur through 2020 if the implementation of the Plan's comprehensive mandates are not authorized;
- The City of Scranton will undertake an analysis of the status of properties presently exempt from taxation;
- With the reductions of staff over the past five years, the City will seek greater efficiencies in departmental tax execution by a review and evaluation of work assignments;
- The City of Scranton will review pension plan changes for employees not represented by a collective bargaining unit or applicable law;
- The City will continue to review for utilization the provisions of Act 205, the Municipal Pension Plan Funding Standard and recovery Act;
- The City of Scranton will appoint a commission to review the ability to implement shared services programs; and
- The City of Scranton will continue to pursue the implementation of the provisions of a Land Bank, as authorized by Act 153 of 2012.

Other initiatives of the City of Scranton are designed to achieve greater cost savings and efficiencies, as well as revenue production. Those initiatives include:

- The City of Scranton is completing a restructuring of the fee schedule of the Department of Licenses and Permits; and
- Further enhancements to the program include a mobile payment application. These enhancements, along with increases to meter rates and citations, will lead to increased parking revenue.

## CITY OF SCRANTON, PENNSYLVANIA

### Notes to the Financial Statements December 31, 2017

#### 15. REAL ESTATE TAXES COLLECTED

	<u>Land</u>	<u>Building</u>	<u>Total</u>
Total Assessed Value	\$ 90,752,757	\$ 296,707,462	\$ 387,460,219
Millage Rates	232.521	50.564	283.085
<b>Total Original Taxes Levied</b>	<b>21,101,922</b>	<b>15,002,716</b>	<b>36,104,638</b>
Add: Additions	83,766	78,465	162,231
Less: Abatements	56,602	113,787	170,389
Real Estate Taxes To be Collected At Face	21,129,086	14,967,394	36,096,480
Add: Penalties Collected			222,967
Total Before Deductions			36,319,447
Less: Discounts Taken			556,592
Less: Home Vouchers			8,433
Less: KOZ Credits			71,464
Less: Delinquent Taxes Returned			4,640,304
Less: Other Miscellaneous			131,953
<b>Total Real Estate Taxes Collected</b>			<b>\$ 30,910,701</b>

#### 16. SEWER AUTHORITY

During the year ended December 31, 2016, the Sewer Authority was sold to a third party. The City received \$66,519,986 as part of the sale. As a part of the sale, the City additionally received escrow deposits and wind down funds held back of \$17,840,000, which are held by a third party. The third party paid \$195,000,000 for the Sewer Authority, of which \$67,065,588 was used to pay off the defeased Sewer Authority debt. Additionally, the Dunmore Borough received \$16,626,366 for their share of the sale and received \$4,460,000 of escrow deposits.

As part of the agreement, the City agreed to assume certain liabilities which were estimated to be less than the escrow deposit amount. However, if certain liabilities exceed the escrow deposits, the City would be liable for its proportionate share. Management believes that the escrow will be sufficient to extinguish all liabilities. Additionally, the City agreed to share in the up keep of certain stormwater assets with the seller and Dunmore Borough. Management believes such upkeep will be de minimis to the City.

## **CITY OF SCRANTON, PENNSYLVANIA**

### **Notes to the Financial Statements December 31, 2017**

#### **17. OPERATIONS**

As of December 31, 2017, the City's governmental activities net position was a deficit of \$169,265,508. Total liabilities were \$228,098,967 as of December 31, 2017 of which \$109,785,481 related to long-term debt obligations, \$92,234,376 related to net pension liability and \$46,460,797 related to other post-employment benefits. The City made governmental activities debt service payments of \$81,380,700 during 2017, compared to total governmental revenue of \$107,852,117 for 2017. Total property and ACT 511 taxes were \$72,648,050 compared to a net deficit of \$169,265,508 for 2017 in the governmental activities. The City's total general fund revenues were \$91,247,727 of which \$34,733,222 were related to real estate taxes. The City is considered a distressed municipality under Act 47. The City has included its recovery plan in footnote 14.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF SCRANTON, PENNSYLVANIA

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios - Police December 31, 2017

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service Cost	\$ 1,062,029	\$ 1,300,741	\$ 1,238,801	\$ 1,093,850
Interest	5,475,400	7,797,729	7,519,247	7,050,809
Differences Between Expected and Actual Experience	(7,430,244)	-	(218,430)	-
Changes of Assumptions	(20,511,936)	-	3,149,169	-
Benefit Payments, Including Refunds of Member Contributions	(5,338,761)	(5,334,183)	(5,343,755)	(5,385,989)
<b>Net Change in Total Pension Liability</b>	<b>(26,743,512)</b>	<b>3,764,287</b>	<b>6,345,032</b>	<b>2,758,670</b>
<b>Total Pension Liability - Beginning</b>	<b>102,602,246</b>	<b>98,837,959</b>	<b>92,492,927</b>	<b>89,734,257</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 75,858,734</b>	<b>\$ 102,602,246</b>	<b>\$ 98,837,959</b>	<b>\$ 92,492,927</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 6,647,833	\$ 5,006,025	\$ 4,041,361	\$ 3,975,175
Contributions - State Aid	1,348,946	1,268,647	1,129,200	1,107,586
Contributions - Member	645,078	754,378	420,859	350,984
Net Investment Income	4,412,086	2,556,892	115,460	1,754,307
Benefit Payments, Including Refunds of Member Contributions	(5,338,761)	(5,334,183)	(5,343,755)	(5,385,989)
Administrative Expense	(64,224)	(56,185)	(42,686)	(44,009)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>7,650,958</b>	<b>4,195,574</b>	<b>320,439</b>	<b>1,758,054</b>
<b>Plan Net Position - Beginning</b>	<b>34,939,023</b>	<b>30,743,449</b>	<b>30,423,010</b>	<b>28,664,956</b>
<b>Plan Net Position - Ending</b>	<b>\$ 42,589,981</b>	<b>\$ 34,939,023</b>	<b>\$ 30,743,449</b>	<b>\$ 30,423,010</b>
<b>Plan's Net Pension Liability</b>	<b>\$ 33,268,753</b>	<b>\$ 67,663,223</b>	<b>\$ 68,094,510</b>	<b>\$ 62,069,917</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>56.1%</b>	<b>34.1%</b>	<b>31.1%</b>	<b>32.9%</b>
<b>Covered Employee Payroll</b>	<b>\$ 11,000,000</b>	<b>\$ 10,100,000</b>	<b>\$ 9,700,000</b>	<b>\$ 8,700,000</b>
<b>Plan's Net Pension Liability as a Percentage of the Covered Employee Payroll</b>	<b>302.4%</b>	<b>669.9%</b>	<b>702.0%</b>	<b>713.4%</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	<b>12.85%</b>	<b>5.29%</b>	<b>0.38%</b>	<b>6.57%</b>

### Notes to Schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

Assumption Changes - In 2017, the investment return rate assumption was changed from 8.0% to 7.5% per annum, salary increase rates changed from 5.0% to 4.5%, cost of living was adjustment changed from 5.0% and 2.5% to none.

\* This schedule will be presented on a prospective basis.

This information is not available for previous years.

## CITY OF SCRANTON, PENNSYLVANIA

### Schedule of Employer Contributions - Police December 31, 2017

	2017	2016	2015	2014
Actuarially determined contribution	\$ 7,996,779	\$ 6,274,672	\$ 5,170,561	\$ 5,082,761
Contributions made	7,996,779	6,274,672	5,170,561	5,082,761
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 11,000,000	\$ 10,100,000	\$ 9,700,000	\$ 8,700,000
Contributions as a percentage of covered-employee payroll	72.7%	62.1%	53.3%	58.4%

\* This schedule will be presented on a prospective basis.

#### Notes to Schedule

Actuarial Measurement Date	As of December 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	16 years
Asset Valuation Method	5 year smoothing method described in internal revenue procedure 2000-40 approval 16.
Assumptions:	
Inflation	2.25%
Salary Increases	4.50%
Investment Rate of Return	7.50% (Net of pension plan investment expense including inflation)
Retirement Age	Normal Retirement: Pre 7/1/1987 employee - 25 years of service; Post 6/30/1987 - Age 55 and 25 years of service
	Vesting: 25 years of service
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

This information is not available for previous years.

# CITY OF SCRANTON, PENNSYLVANIA

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratio - Firemen December 31, 2017

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service Cost	\$ 942,714	\$ 998,710	\$ 951,152	\$ 877,594
Interest	5,499,862	8,107,968	7,914,310	7,523,591
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(3,178,426)	-	(784,286)	-
Changes of Assumptions	(23,063,685)	-	3,694,635	-
Benefit Payments, Including Refunds of Member Contributions	(6,487,711)	(6,465,804)	(6,518,785)	(6,483,409)
<b>Net Change in Total Pension Liability</b>	<b>(26,287,246)</b>	<b>2,640,874</b>	<b>5,257,026</b>	<b>1,917,776</b>
<b>Total Pension Liability - Beginning</b>	<b>106,224,669</b>	<b>103,583,795</b>	<b>98,326,769</b>	<b>96,408,993</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 79,937,423</b>	<b>\$ 106,224,669</b>	<b>\$ 103,583,795</b>	<b>\$ 98,326,769</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 8,262,627	\$ 6,087,485	\$ 5,011,978	\$ 4,928,939
Contributions - State Aid	1,238,828	1,023,667	1,011,575	1,006,897
Contributions - Member	588,651	751,112	378,642	325,302
Net Investment Income	2,490,671	1,522,810	67,227	1,031,379
Benefit Payments, Including Refunds of Member Contributions	(6,487,711)	(6,465,804)	(6,518,785)	(6,483,409)
Administrative Expense	(57,437)	(48,494)	(42,078)	(50,368)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>6,035,629</b>	<b>2,870,776</b>	<b>(91,441)</b>	<b>758,740</b>
<b>Plan Net Position - Beginning</b>	<b>20,703,868</b>	<b>17,833,092</b>	<b>17,924,533</b>	<b>17,165,793</b>
<b>Plan Net Position - Ending</b>	<b>\$ 26,739,497</b>	<b>\$ 20,703,868</b>	<b>\$ 17,833,092</b>	<b>\$ 17,924,533</b>
<b>Plan's Net Pension Liability</b>	<b>\$ 53,197,926</b>	<b>\$ 85,520,801</b>	<b>\$ 85,750,703</b>	<b>\$ 80,402,236</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>33.5%</b>	<b>19.5%</b>	<b>17.2%</b>	<b>18.2%</b>
<b>Covered Employee Payroll</b>	<b>\$ 10,500,000</b>	<b>\$ 9,100,000</b>	<b>\$ 9,000,000</b>	<b>\$ 7,800,000</b>
<b>Plan's Net Pension Liability as a Percentage of the Covered Employee Payroll</b>	<b>506.6%</b>	<b>939.8%</b>	<b>952.8%</b>	<b>1030.8%</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	<b>12.85%</b>	<b>5.29%</b>	<b>0.38%</b>	<b>6.57%</b>

### Notes to the Schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the Blue Collar RP-2000 Table to the Blue Collar RP-2000 Table projected to 2015 using Scale AA.

Assumption Changes - In 2017, the investment return rate assumption was changed from 8.0% to 7.5% per annum, salary increase rates changed from 5.0% to 4.5%, cost of living was adjustment changed from 5.0% and 2.5% to none.

\* This schedule will be presented on a prospective basis.

This information is not available for previous years.

# CITY OF SCRANTON, PENNSYLVANIA

## Schedule of Employer Contributions - Firemen December 31, 2017

	2017	2016	2015	2014
Actuarially determined contribution	\$ 9,501,455	\$ 7,111,152	\$ 6,023,553	\$ 5,935,833
Contributions made	9,501,455	7,111,152	6,023,553	5,935,833
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 10,500,000	\$ 9,100,000	\$ 9,000,000	\$ 7,800,000
Contributions as a percentage of covered-employee payroll	90.49%	78.14%	66.93%	76.10%

\* This schedule will be presented on a prospective basis.

### Notes to the Schedule

Actuarial Measurement Date	As of December 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	23 years
Asset Valuation Method	5 year smoothing method described in internal revenue procedure 2000-40 approval 16.
Assumptions:	
Inflation	2.25%
Salary Increases	4.50%
Investment Rate of Return	7.50% (Net of pension plan investment expense including inflation)
Retirement Age	Normal Retirement: Pre 7/1/1987 employee - 25 years of service; Post 6/30/1987 - Age 55 and 25 years of service Vesting: 25 years of service
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

This information is not available for previous years.



# CITY OF SCRANTON, PENNSYLVANIA

## Schedule of Changes in Pension Fund Net Pension Liability and Related Ratio – Non-Uniformed December 31, 2017

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service Cost	\$ 75,416	\$ 82,437	\$ 78,511	\$ 81,737
Interest	747,856	954,145	954,216	937,975
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(2,278,845)	-	13,368	-
Changes of Assumptions	498,678	-	267,267	-
Benefit Payments, Including Refunds of Member Contributions	(854,513)	(997,346)	(1,077,747)	(1,110,468)
<b>Net Change in Total Pension Liability</b>	<b>(1,811,408)</b>	<b>39,236</b>	<b>235,615</b>	<b>(90,756)</b>
<b>Total Pension Liability - Beginning</b>	<b>12,382,284</b>	<b>12,343,048</b>	<b>12,107,433</b>	<b>12,198,189</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 10,570,876</b>	<b>\$ 12,382,284</b>	<b>\$ 12,343,048</b>	<b>\$ 12,107,433</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 276,383	\$ 43,056	\$ 245,284	\$ 271,319
Contributions - State Aid	1,036,945	979,014	862,584	836,499
Contributions - Member	37,582	36,606	37,141	37,752
Net Investment Income	746,750	270,237	12,956	200,183
Benefit Payments, Including Refunds of Member Contributions	(854,513)	(997,346)	(1,077,747)	(1,110,468)
Administrative Expense	(111,870)	(109,478)	(92,284)	(48,723)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,131,277</b>	<b>222,089</b>	<b>(12,066)</b>	<b>186,562</b>
<b>Plan Net Position - Beginning</b>	<b>3,671,902</b>	<b>3,449,813</b>	<b>3,461,879</b>	<b>3,275,317</b>
<b>Plan Net Position - Ending</b>	<b>\$ 4,803,179</b>	<b>\$ 3,671,902</b>	<b>\$ 3,449,813</b>	<b>\$ 3,461,879</b>
<b>Plan's Net Pension Liability</b>	<b>\$ 5,767,697</b>	<b>\$ 8,710,382</b>	<b>\$ 8,893,235</b>	<b>\$ 8,645,554</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>45.4%</b>	<b>29.7%</b>	<b>27.9%</b>	<b>28.6%</b>
<b>Covered Employee Payroll</b>	<b>\$ 5,800,000</b>	<b>\$ 5,400,000</b>	<b>\$ 5,300,000</b>	<b>\$ 5,300,000</b>
<b>Plan's Net Pension Liability as a Percentage of the Covered Employee Payroll</b>	<b>99.4%</b>	<b>161.3%</b>	<b>167.8%</b>	<b>163.1%</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	<b>12.85%</b>	<b>5.29%</b>	<b>0.38%</b>	<b>6.57%</b>

### Notes to the Schedules:

Assumption Changes - In 2015, the mortality assumption was changed from the RP-200 Table to the RP-2000 Table projected to 2015 using Scale AA.

Assumption Changes - In 2017, the investment return rate assumption was changed from 8.0% to 7.5% per annum, salary increase rates changed from 5.0% to 4.5%, cost of living was adjustment changed from 5.0% and 2.5% to none.

\* This schedule will be presented on a prospective basis.

This information is not available for previous years.

# CITY OF SCRANTON, PENNSYLVANIA

## Schedule of Employer Contributions -- Non-Uniformed December 31, 2017

	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,313,328	\$ 1,014,228	\$ 1,107,868	\$ 1,107,818
Contributions made	1,313,328	1,014,228	1,107,868	1,107,818
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 5,800,000	\$ 5,400,000	\$ 5,300,000	\$ 5,300,000
Contributions as a percentage of covered-employee payroll	22.64%	18.78%	20.90%	20.90%

\* This schedule will be presented on a prospective basis.

### Notes to the Schedule

Actuarial Measurement Date	As of December 31, 2017
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	11 years
Asset Valuation Method	5 year smoothing method described in internal revenue procedure 2000-40 approval 16.
Assumptions:	
Inflation	2.25%
Salary Increases	4.50%
Investment Rate of Return	7.50% (Net of pension plan investment expense including inflation)
Retirement Age	Normal retirement: Age 55, 15 years of service and 20 years of contributions Early retirement: age 55, 10 years of service and 20 years of contributions Vesting: 10 years of service
Mortality Rate	Based on the Blue Collar RP-2000 Mortality Table

This information is not available for previous years.

**CITY OF SCRANTON, PENNSYLVANIA**

**Schedule of Funding Process – Other Post Employment Benefits  
December 31, 2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Liability (UAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Ratio of UAL to Payroll</b>
01/01/13	\$ -	\$ 184,941,503	\$ 184,941,503	0.00%	\$ 27,259,944	678.44%
01/01/15	-	195,258,597	195,258,597	0.00%	30,528,097	639.60%
01/01/17	-	212,443,320	212,443,320	0.00%	26,160,019	812.09%

**CITY OF SCRANTON, PENNSYLVANIA**

**Schedule of Employer Contributions – Other Post Employment Benefits  
December 31, 2017**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
12/31/2015	\$ 14,338,493	58%	\$ 26,125,705
12/31/2016	15,852,366	59%	32,312,377
12/31/2017	16,256,565	57%	39,039,105

## **SUPPLEMENTARY INFORMATION**

**CITY OF SCRANTON, PENNSYLVANIA**

**Supplemental Schedule of Revenue and Expenditures -  
Budget and Actual - General Fund  
For the Year Ended December 31, 2017**

	Budget Amounts			Variance from
	Original	Final	Actual	Final Budget
<b>REVENUE</b>				
Taxes	\$ 72,262,562	\$ 72,262,562	\$ 72,648,050	\$ 385,488
Intergovernmental	4,298,246	4,298,246	4,963,928	665,682
Departmental earnings	579,692	579,692	281,014	(298,678)
Refuse disposal fees	7,662,500	7,662,500	6,637,754	(1,024,746)
Licenses & permits	2,418,700	2,418,700	2,295,187	(123,513)
Cable television franchise revenue	1,155,000	1,155,000	1,071,698	(83,302)
Payments in lieu of taxes	219,865	219,865	271,559	51,694
Other revenues	719,350	719,350	3,073,037	2,353,687
Rents and concessions	5,000	5,000	5,500	500
<b>TOTAL REVENUE</b>	<b>89,320,915</b>	<b>89,320,915</b>	<b>91,247,727</b>	<b>1,926,812</b>
<b>EXPENDITURES</b>				
General government	15,649,011	15,649,011	14,539,547	1,109,464
Public safety	54,774,202	54,774,202	55,601,609	(827,407)
Public works	12,230,631	12,230,631	12,384,073	(153,442)
Culture and recreation	735,263	735,263	685,201	(50,062)
Debt service	11,413,230	11,413,230	81,380,700	69,967,470
<b>TOTAL EXPENDITURES</b>	<b>94,802,337</b>	<b>94,802,337</b>	<b>164,591,130</b>	<b>70,046,023</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(5,481,422)</b>	<b>(5,481,422)</b>	<b>(73,343,403)</b>	<b>(68,119,211)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from tax anticipation notes	12,750,000	12,750,000	12,750,000	-
Sale of assets	-	-	2,570,139	
Repayments from tax anticipation notes	(12,960,000)	(12,960,000)	(12,964,896)	(4,896)
Court Award	(200,000)	(200,000)	(189,115)	10,885
Parking authority debt payments	-	-	-	-
Bond issuance	1,000	1,000	26,159,054	26,158,054
Operating transfers in	5,942,008	5,942,008	2,930,526	(3,011,482)
Operating transfers out	(51,585)	(51,585)	(175,000)	(123,415)
<b>Net Other Financing Sources (Uses)</b>	<b>5,481,423</b>	<b>5,481,423</b>	<b>31,080,708</b>	<b>23,029,146</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>-</b>	<b>-</b>	<b>(42,262,695)</b>	<b>(45,090,064)</b>
<b>Fund Balance, Beginning of Year</b>	<b>15,734,359</b>	<b>15,734,359</b>	<b>75,542,498</b>	<b>59,808,139</b>
<b>Fund Balance, End of Year</b>	<b>\$ 15,734,359</b>	<b>\$ 15,734,359</b>	<b>\$ 33,279,803</b>	<b>\$ 14,718,075</b>

CITY OF SCRANTON, PENNSYLVANIA

Supplemental Schedule of Revenue and Expenditures -  
Budget and Actual - General Fund  
For the Year Ended December 31, 2017

	Budget Amounts			Variance from
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Act 511:				
Wage	\$ 25,683,924	\$ 25,683,924	\$ 26,398,014	\$ 714,090
Non-Resident Wage Tax	460,000	460,000	-	(460,000)
Delinquent Wage Tax	205,000	205,000	185,961	(19,039)
Real Estate Transfer	3,375,000	3,375,000	3,870,927	495,927
Mercantile	1,555,000	1,555,000	1,683,012	128,012
Business Privilege	1,280,250	1,280,250	1,010,128	(270,122)
Local Service Tax	4,595,000	4,595,000	4,494,725	(100,275)
Delinquent Mercantile	95,000	95,000	93,038	(1,962)
Delinquent Business Privilege	140,000	140,000	179,024	39,024
Total Act 511	37,389,174	37,389,174	37,914,829	525,655
Current Real Estate	14,403,218	14,403,218	22,456,319	8,053,101
Current Real Estate Tax Land	18,328,610	18,328,610	9,890,390	(8,438,220)
Delinquent Real Estate	1,541,459	1,541,459	1,693,101	151,642
Public Utility	68,000	68,000	74,321	6,321
Parking Tax	-	-	140	140
Amusement Tax	400,000	400,000	349,373	(50,627)
Penalties & Interest	132,100	132,100	269,578	137,478
Total Taxes	72,262,561	72,262,561	72,648,051	385,490
Intergovernmental				
Supplemental State Assisted Pension	3,250,000	3,250,000	3,624,720	374,720
ACT 47 Grants	28,380	28,380	238,560	210,180
OECD Reimbursement Demoliton Program	285,866	285,866	428,022	142,156
Fire Safety Grant	734,000	734,000	672,627	(61,373)
Total Intergovernmental	4,298,246	4,298,246	4,963,929	665,683
Departmental Earnings				
Parking Meters	-	-	6,246	6,246
Pave Cuts	453,398	453,398	218,038	(235,360)
Report Copies Fire & Police	-	-	-	-
Alarm Fees	111,044	111,044	23,100	(87,944)
Zoning	15,250	15,250	33,630	18,380
Total Departmental Earnings	579,692	579,692	281,014	(298,678)

**CITY OF SCRANTON, PENNSYLVANIA**

**Supplemental Schedule of Revenue and Expenditures -  
Budget and Actual - General Fund  
For the Year Ended December 31, 2017**

Refuse Disposal Fees	\$ 7,662,500	\$ 7,662,500	\$ 6,637,754	\$ (1,024,746)
Total Refuse Disposal Fees	<u>7,662,500</u>	<u>7,662,500</u>	<u>6,637,754</u>	<u>(1,024,746)</u>
Licenses and Permits	<u>2,418,700</u>	<u>2,418,700</u>	<u>2,295,187</u>	<u>(123,513)</u>
Total Licenses and Permits	<u>2,418,700</u>	<u>2,418,700</u>	<u>2,295,187</u>	<u>(123,513)</u>
Cable Television Franchise Revenue	<u>1,155,000</u>	<u>1,155,000</u>	<u>1,071,698</u>	<u>(83,302)</u>
Total Cable Television Franchise Revenue	<u>1,155,000</u>	<u>1,155,000</u>	<u>1,071,698</u>	<u>(83,302)</u>
Payments in Lieu of Taxes	<u>219,865</u>	<u>219,865</u>	<u>271,559</u>	<u>51,694</u>
Total Payments in Lieu of Taxes	<u>219,865</u>	<u>219,865</u>	<u>271,559</u>	<u>51,694</u>
Rents and Concessions	<u>5,000</u>	<u>5,000</u>	<u>5,500</u>	<u>500</u>
Total Rents and Concessions	<u>5,000</u>	<u>5,000</u>	<u>5,500</u>	<u>500</u>
Other Revenues				
Interest Income	10,000	10,000	234,166	224,166
User Fees	52,500	52,500	48,684	(3,816)
Fines and Forfeits	478,250	478,250	433,503	(44,747)
Donations	1,000	1,000	-	(1,000)
Other	<u>177,600</u>	<u>177,600</u>	<u>2,356,682</u>	<u>2,179,082</u>
Total Other Revenues	<u>719,350</u>	<u>719,350</u>	<u>3,073,035</u>	<u>2,353,685</u>
<b>TOTAL REVENUES</b>	<u>89,320,914</u>	<u>89,320,914</u>	<u>91,247,727</u>	<u>1,926,813</u>



# CITY OF SCRANTON, PENNSYLVANIA

## Supplemental Schedule of Revenue and Expenditures - Budget and Actual - General Fund For the Year Ended December 31, 2017

### EXPENDITURES

#### General Government:

Salaries and Wages	2,745,042	2,745,042	2,623,558	121,484
Employee Benefits	4,556,459	4,556,459	4,589,998	(33,539)
Worker's Compensation Claims	-	-	-	-
General Insurance	900,000	900,000	873,550	26,450
Office Supplies and Expense	132,278	132,278	127,861	4,417
Professional Fees	1,120,663	1,120,663	1,006,828	113,835
Telephone	145,000	145,000	143,642	1,358
Equipment	318,355	318,355	207,765	110,590
Boards and Commissions	-	-	-	-
Utilities	1,205,818	1,205,818	1,124,810	81,008
Parking Authority Ticket Issuers	-	-	-	-
Parking Authority Debt payments	-	-	-	-
Other	4,525,396	4,525,396	3,841,535	683,861
Total General Government	15,649,011	15,649,011	14,539,547	1,109,464

#### Public Safety:

Salaries and Wages	22,940,832	22,940,832	23,719,527	778,695
Employee Benefits	29,499,327	29,499,327	29,816,007	316,680
Supplies	55,751	55,751	51,073	(4,678)
Equipment	1,957,191	1,957,191	1,702,577	(254,614)
Training	109,645	109,645	107,675	(1,970)
Professional Fees	124,480	124,480	117,798	(6,682)
Other	86,976	86,976	86,950	(26)
Total Public Safety	54,774,202	54,774,202	55,601,607	(827,431)

#### Public Works

Salaries and Wages	4,431,375	4,431,375	4,241,333	(190,042)
Employee Benefits	3,074,487	3,074,487	3,075,535	1,048
Supplies	307,102	307,102	290,062	(17,040)
Professional Fees	101,516	101,516	91,743	(9,773)
Equipment	2,146,562	2,146,562	2,508,973	362,411
Landfill Fees	1,303,896	1,303,896	1,322,295	18,399
Flood Protection	49,500	49,500	39,071	(10,429)
Salt	273,500	273,500	273,268	(232)
Street Lighting	541,693	541,693	541,694	1
Training	1,000	1,000	100	
Total Public Works	12,230,631	12,230,631	12,384,074	(154,343)

#### Culture and Recreation

Salaries and Wages	560,493	560,493	593,411	32,918
Employee Benefits	2,520	2,520	2,940	420
Supplies	55,900	55,900	29,657	(26,243)
Programs	21,350	21,350	20,065	(1,285)
Equipment	95,000	95,000	39,129	(55,871)
Total Culture and Recreation	735,263	735,263	685,202	(50,061)
Debt service payments	11,413,230	11,413,230	81,380,700	69,967,470
TOTAL EXPENDITURES	94,802,337	94,802,337	164,591,130	70,045,099

**CITY OF SCRANTON, PENNSYLVANIA**

**Supplemental Schedule of Revenue and Expenditures -  
Budget and Actual - General Fund  
For the Year Ended December 31, 2017**

<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(5,481,423)</u>	<u>(5,481,423)</u>	<u>(73,343,403)</u>	<u>(68,118,286)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Tax Anticipation Notes	12,750,000	12,750,000	12,750,000	-
Repayments of tax anticipation notes	(12,960,000)	(12,960,000)	(12,964,896)	(4,896)
Court award	(200,000)	(200,000)	(189,115)	10,885
Sale of assets	-	-	2,570,139	2,570,139
Bond issuance	1,000	1,000	26,159,054	26,158,054
Operating Transfers out	(51,585)	(51,585)	(175,000)	(123,415)
Operating Transfers in from:				
Liquid Fuels Fund	2,192,008	2,192,008	2,930,526	738,518
Other Funds	3,750,000	3,750,000	-	(3,750,000)
<b>Net Other Financing Sources (Uses)</b>	<u>5,481,423</u>	<u>5,481,423</u>	<u>31,080,708</u>	<u>25,599,285</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>-</u>	<u>-</u>	<u>(42,262,695)</u>	<u>(42,519,001)</u>
<b>Fund Balance, Beginning of Year</b>	<u>15,734,359</u>	<u>15,734,359</u>	<u>75,542,498</u>	<u>59,808,139</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 15,734,359</u></u>	<u><u>\$ 15,734,359</u></u>	<u><u>\$ 33,279,803</u></u>	<u><u>\$ 17,289,138</u></u>

**CITY OF SCRANTON, PENNSYLVANIA**

**Combining Balance Sheet – Non-Major Governmental Funds**  
For the Year Ended December 31, 2017

	<u>Liquid Fuels</u>	<u>Capital Projects</u>	<u>Redevelopment Authority</u>	<u>Debt Service</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 104,864	\$ -	\$ 550,586	\$ -	\$ 655,450
Accounts receivable, net	-	-	-	-	-
Loans receivable	-	-	57,894	-	57,894
Due from other funds	-	-	-	-	-
Restricted assets:					
Restricted cash and cash equivalents	-	-	-	631,658	631,658
Property held for resale	-	-	98,935	-	98,935
<b>Total Assets</b>	<u>\$ 104,864</u>	<u>\$ -</u>	<u>\$ 707,415</u>	<u>\$ 631,658</u>	<u>\$ 1,443,937</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Accounts payable	\$ -	\$ 25,527	\$ -	\$ -	\$ 25,527
Due to other funds	-	-	521,603	-	521,603
Other liabilities	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>25,527</u>	<u>521,603</u>	<u>-</u>	<u>547,130</u>
<b>Deferred Inflow of Resources</b>					
Unavailable revenues	-	-	57,894	-	57,894
<b>Total Deferred Inflow of Resources</b>	<u>-</u>	<u>-</u>	<u>57,894</u>	<u>-</u>	<u>57,894</u>
<b>Fund Balance</b>					
Nonspendable	-	-	98,935	-	98,935
Restricted for debt service	-	-	-	631,658	631,658
Restricted for externally imposed restrictions	104,864	-	521,522	-	626,386
Unassigned	-	(25,527)	(492,539)	-	(518,066)
<b>Total Fund Balance</b>	<u>104,864</u>	<u>(25,527)</u>	<u>127,918</u>	<u>631,658</u>	<u>838,913</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 104,864</u>	<u>\$ -</u>	<u>\$ 707,415</u>	<u>\$ 631,658</u>	<u>\$ 1,443,937</u>

# CITY OF SCRANTON, PENNSYLVANIA

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds For the Year Ended December 31, 2017

	Liquid Fuels	Capital Projects	Redevelopment Authority	Debt Service	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Intergovernmental	\$ 2,233,719	\$ -	\$ 53,125	\$ -	\$ 2,286,844
Departmental earnings	-	-	-	-	-
Interest income	3,316	-	285	-	3,601
Other revenues	32	-	6	-	38
Rents and concessions	-	-	5,700	-	5,700
<b>Total Revenues</b>	<b>2,237,067</b>	<b>-</b>	<b>59,116</b>	<b>-</b>	<b>2,296,183</b>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and welfare	-	-	-	-	-
Community development	-	-	43,679	-	43,679
Debt Service:					
Debt service principal	-	-	-	-	-
Debt service interest	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>43,679</b>	<b>-</b>	<b>43,679</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,237,067</b>	<b>-</b>	<b>15,437</b>	<b>-</b>	<b>2,252,504</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(2,930,526)	-	-	-	(2,930,526)
<b>Total Other Financing Sources (Uses)</b>	<b>(2,930,526)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,930,526)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(693,459)</b>	<b>-</b>	<b>15,437</b>	<b>-</b>	<b>(678,022)</b>
Fund Balances, beginning of Year	798,323	(25,527)	112,481	631,658	1,516,935
<b>Fund Balances, End of Year</b>	<b>\$ 104,864</b>	<b>\$ (25,527)</b>	<b>\$ 127,918</b>	<b>\$ 631,658</b>	<b>\$ 838,913</b>



DEPARTMENT OF LICENSING, INSPECTIONS AND PERMITS

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4171

RECEIVED  
OCT 30 2018

OFFICE OF CITY  
COUNCIL CLERK  
PHONE: 570-348-4171

# NOTICE

THE **BOARD OF ZONING APPEALS** OF THE CITY OF SCRANTON  
HEREBY GIVES NOTICE THAT IT WILL HOLD A MEETING AT CITY HALL, IN  
**CITY COUNCIL CHAMBERS ( 2<sup>nd</sup> Floor )** ON WEDNESDAY,  
**NOVEMBER 14, 2018 @ 6 PM.**

## MEETING AGENDA :

- 1) **BRICK INVESTMENT CORP., APPLICANT SEEKS A VARIANCE TO RE-STORE THE BUILDING LOCATED @ 1800 N. WASHINGTON AVE. FOR MIXED USE ( RESTAURANT-BAR-EVENT SPACE ) AS PART OF THE OVERALL MARYWOOD UNIVERSITY – SOUTH PROJECT. ING-L ZONE. CONTINUED FROM THE OCTOBER ZHB MEETING.**
- 2) **THE ADVOCACY ALLIANCE, 846 JEFFERSON AVE. SEEKS A VARIANCE IN ORDER DEVELOP A PARKING LOT LOCATED @ 839-841 MADISON AVE. TO SUPPORT OFFICES IN THIS AREA/ LOCATION. R1-A ZONE.**

- 3) CROWN PROPERTIES & REALTY LLC., 216 N LINCOLN AVE. SEEKS A SPECIAL EXCEPTION IN ORDER TO RESTORE THE PROPERTY LOCATED @ 319-321 N. MAIN AVE. C-N ZONE.**
- 4) 305-311 N. MAIN REALTY, LLC. APPLICANT SEEKS A SPECIAL EXCEPTION IN ORDER TO DEVELOP THE ABOVE PROPERTY IN CONJUNCTION WITH AGENDA ITEM # 3. C-N ZONE.**
- 5) LINDA KAUFMAN 715 RIVER ST. APPLICANT SEEKS A VARIANCE TO RESTORE THE ABOVE LISTED PROPERTY BACK TO A THREE (3) UNIT PROPERTY. R1-A ZONE.**
- 6) ZACHARY PASCHKE, 138- 140 S FILLMORE AVE. APPLICANT SEEKS A SPECIAL EXCEPTION FOR ALLOWING TO RENT ½ OF THIS DOUBLE UNIT FOR SHORT-TERM USE. R-2 ZONE.**
- 7) SHARON FLOWERS, 4252 GREENLEAF CT. PARK CITY, IL. APPLICANT SEEKS A VARIANCE TO RE-STORE BACK TO TWO (2) UNITS A PROPERTY LOCATED @ 519 S IRVING AVE. R1-A ZONE.**

**ANYONE INTERESTED IN BECOMING A PARTY TO THE ABOVE LISTED CASES ARE DIRECTED TO CONTACT THE CITY ZONING OFFICER @ 570-348-4193, EXT # 4512. HEARING: 11/14/2018**

**BOB GATTENS , CHAIRMAN, SCRANTON ZONING BOARD.**

**PUBLIC PARTICIPATION WELCOME.**

**SINGLE TAX OFFICE  
CITY FUNDS DISTRIBUTED  
COMPARISON 2018 - 2017**

---

	<u>YTD</u> <u>10/31/2017</u>	<u>YTD</u> <u>10/31/2018</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Decrease)</u>
Real Estate	\$28,476,855.63	\$28,916,015.08	<b>\$439,159.45</b>	1.5%
Delinquent Real Estate	\$1,462,011.63	\$1,420,179.53	<b>(\$41,832.10)</b>	-2.9%
LST/EMS	\$3,964,021.37	\$3,899,185.62	<b>(\$64,835.75)</b>	-1.6%
Bus Priv/Merc	\$2,497,872.07	\$2,514,221.31	<b>\$16,349.24</b>	0.7%
<b>TOTALS</b>	<b>\$36,400,760.70</b>	<b>\$36,749,601.54</b>	<b>\$348,840.84</b>	

RECEIVED

OCT 31 2018

OFFICE OF CITY  
COUNCIL/CITY CLERK



# Scranton Sewer Authority

c/o Municipal Building 340 N. Washington Ave. Scranton, PA 18503 | 570-969-6638 |

November 1, 2018

Lori Reed, City Clerk  
Scranton City Council  
340 N. Washington Ave.  
Scranton, PA 18503

RECEIVED

NOV 01 2018

**RE: Scranton Sewer Authority ("SSA")  
SSA August 16, 2018 Board Meeting Minutes**

OFFICE OF CITY  
COUNCIL/CITY CLERK

Dear Lori:

Please find attached copy of the Scranton Sewer Authority Board Meeting Minutes for the August 16, 2018 board meeting approved in the October 25, 2018 Board Meeting. Per the attached notice, the September 20, 2018 meeting was cancelled due to lack of a quorum and could not be rescheduled.

If you should have any questions, please do not hesitate to contact me. Thank you for your time and consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Frank J. Voldenberg', is written over a horizontal line.

Frank J. Voldenberg  
Office Administrator & Right-To-Know Officer

Enclosure

Via Hand Delivery

Cc: Jason A. Shrive, Esq.  
SSA Solicitor



# **The Sewer Authority of the City of Scranton, Pennsylvania**

## **Board of Directors Meeting**

### **August 16, 2018 Meeting Minutes**

---

Mr. Michael Parker, Vice Chairman, called the August 16, 2018 monthly Meeting of the Board of Directors of The Sewer Authority of the City of Scranton, Pennsylvania to order at approximately 4:02 P.M. The meeting was held in the Governor's Room of the Municipal Building of the City of Scranton.

#### Pledge of Allegiance

#### Roll Call:

Roll Call was taken; Mr. Michael Parker, Mr. Kevin Whelan and Mr. Larry Boccadori were in attendance, Mr. Michael Dempsey and Mr. Gopal Patel were absent.

Atty. Shrive declared a quorum present.

#### Acceptance of Previous Minutes:

The Minutes of the SSA Board Meeting of July 19, 2018 were presented and approved;

**Approved 3-0**

#### Report of the Executive Director/Solicitor:

Atty. Jason Shrive gave the Executive Director/Solicitor's Report:

- The SSA is working on the wind down/transition, parameters of Purchase Agreement, rate payer & customer concerns, transition between Pennsylvania American Water & Scranton Sewer Authority, paying outstanding expenses, easement resolutions and dealing with litigation and day to day matters.
- Announced that Executive Session was held previous to public meeting where Litigation & Personnel issues were discussed.
- Announced that the Authority advertised for and is receiving bids for the Independent Audit.

#### Public Comment:

Public Comment was conducted and the following people addressed the Board:

Joan Hodowanitz

Board Action on Resolutions & Motions:

- a. Resolution to Approve Payment of Operating Expenses; **Approved 3-0**
- b. Resolution to Approve Payment of Class Action/Easement Bills from the Class Action Easement Escrow Account; **Approved 3-0**
- c. Resolution to Approve Payment of Capitol Expenses; **Approved 3-0**
- d. Resolution to Approve and Ratify Actions of the Executive Director/Solicitor; **Approved 3-0**
- e. Resolution to Approve Settlement of H.C., Inc. Case, 2016 CV 1944; **Approved 3-0**
- f. Resolution to Approve Settlement of Rupe Case, 2016 CV 5195; **Approved 3-0**
- g. Resolution to Approve Settlement of Scott Case, 2016 CV 5121 **Approved 3-0**
- h. Resolution to Approve Employee Health & Vision Insurance and Deductible Reimbursement Plan; Resolution not seconded and Board adjourned into Executive Session to discuss.
  - 1. Meeting reconvened at approximately 4:22.
  - 2. Motion to Approve Amendment to Resolution to Approve Employee Health & Vision Insurance and Deductible Reimbursement for retired employee only, with active employee and dependents to pay standard deductible charges. Motion made by Mr. Whelan. Seconded by Mr. Boccadori. **Approved 3-0**
  - 3. Resolution to Approve Employee Health & Vision Insurance and Deductible Reimbursement Plan, as amended. Motion made by Mr. Whelan. Seconded by Mr. Boccadori. **Approved 3-0**
- i. Motion to Approve Employee Health & Vision deductible reimbursement for retired employee only with active employee and dependents to pay standard deductible charges. Motion by: Mr. Whelan. Seconded by: Mr. Boccadori. **Approved 3-0**
- j. Motion to Accept the Resignation of Employment of Executive Director/Solicitor, Jason A. Shrive, Esq. Effective 8/24/18; Motion by: Mr. Whelan. Seconded by: Mr. Boccadori. **Approved 3-0**

- k. Motion to Approve Reimbursement to customer P&M Associates, 505 Penn Ave. Mayfield, PA 18433, as refund due to overpayment due to SSA billing error, in the amount of \$906.28. Motion by: Mr. Whelan. Seconded by: Mr. Boccodori.

**Approved 3-0**

- i. Motion to appoint Attorney Jason A. Shrive, of Shrive Law, LLC, as the Solicitor for the Scranton Sewer Authority, on an hourly fee basis, at a rate of One Hundred Forty (\$140.00) Dollars per hour, effective Monday, August 27, 2018, and to authorize the Chairman to execute an Engagement Letter or Fee Agreement with Attorney Shrive, consistent with this Motion. Motion by: Mr. Whelan. Seconded by: Mr. Boccodori.

**Approved 3-0**

- j. Motion to appoint current Scranton Sewer Authority Confidential Secretary, Frank J. Voldenberg, as the Scranton Sewer Authority's Office Administrator and Right to Know Officer, at a salary of Thirty-Five Thousand (\$35,000.00) Dollars per year, plus health, vision, and dental insurance benefits for him and his dependents, effective Monday, August 27, 2018. Motion by: Mr. Whelan. Seconded by: Mr. Boccodori.

**Approved 3-0**

Other Business:

The Board was asked if there was any other business, without any other business, meeting was adjourned.

Adjournment: Meeting was adjourned at approximately 4:27 PM.

**The Sewer Authority of the City of Scranton, Pennsylvania**

**Board of Directors**

**Regular Board Meeting**

**September 20, 2018**

**Agenda**

---

**Meeting cancelled due to Lack of Quorum**

FILE OF THE COUNCIL NO. \_\_\_\_\_

20018

AN ORDINANCE

**AUTHORIZING THE TRANSFER OF A VACANT PARCEL OF PROPERTY OWNED BY THE CITY OF SCRANTON TO THE LACKAWANNA COUNTY LAND BANK IN ACCORDANCE WITH THE INTERGOVERNMENTAL COOPERATION AGREEMENT BY AND BETWEEN THE LAND BANK, LACKAWANNA COUNTY, CITY OF SCRANTON AND SCRANTON SCHOOL DISTRICT, PROPERTY MORE COMMONLY KNOWN AS 2935-2937 PITTSTON AVENUE, SCRANTON, PA 18505.**

WHEREAS, the Land Bank, Lackawanna County, City of Scranton and Scranton School District all have joined to create stronger communities and in dealing with vacant, abandoned and tax delinquent properties, maintaining them and attempting to restore them to productive use; and

WHEREAS, the Lackawanna County Land Bank intends to market the parcel and get the property back on the tax rolls; and

WHEREAS, the Lackawanna County Land Bank at its October 12, 2018 meeting passed Resolution No. 18-031 approving the acquisition of the property located at 2935-2937 Pittston Avenue. A copy the Resolution and property description are attached hereto as Exhibit "A".

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SCRANTON that the City of Scranton is hereby authorized to transfer that parcel of land more commonly known as 2935-2937 Pittston Avenue, Scranton, Pa. 18505 to the Lackawanna County Land Bank.

**SECTION 1.** The appropriate City officials are authorized to execute any and all documents necessary to effectuate this transfer.

**SECTION 2.** If any section, clause, provision or portion of this Ordinance shall be held invalid or unconstitutional by any Court of competent jurisdiction such decision shall not affect any other section, clause, provision or portion of this Ordinance so long as it remains legally enforceable minus the invalid portion. The City reserves the right to amend this Ordinance or any portion thereof from time to time as it shall deem advisable in the best interest of the promotion of the purposes and intent of this Ordinance, and the effective administration thereof.

**SECTION 3.** This Ordinance shall become effective immediately upon approval.

**SECTION 4.** This Ordinance is enacted by the Council of the City of Scranton under the authority of the Act of Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Option Plans Law" and any other applicable law arising under the laws of the State of Pennsylvania.

**RESOLUTION NO. 18-031**  
**OF THE**  
**LACKAWANNA COUNTY LAND BANK**

**RESOLUTION APPROVING THE ACQUISITION OF A PROPERTY FROM THE CITY OF SCRANTON**

**WHEREAS**, in accordance with the Intergovernmental Cooperation Agreement, the County of Lackawanna, the City of Scranton and the Scranton School District wish to further the goals of the Lackawanna County Land Bank by returning vacant, tax delinquent, and abandoned property to productive use; and,

**WHEREAS**, the Land Bank Board of Directors in compliance with the Land Banks Policies and Procedures, based upon the recommendation of the staff in collaboration with the City of Scranton Advisory Committee as to the properties highest and best use; and,

**WHEREAS**, the City of Scranton owns a vacant parcel they wish to transfer ownership to the Lackawanna County Land Bank; and

**WHEREAS**, the Lackawanna County Land Bank intends to market said parcel for productive use and get the property back on the tax rolls,

**NOW THEREFORE, BE IT RESOLVED** by the Board of Directors of the Lackawanna County Land Bank that:

1. The Lackawanna County Land Bank hereby approves the acquisition of the following property from the City of Scranton

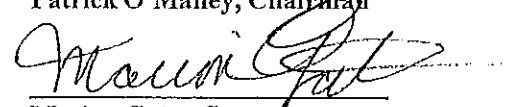
a.) 2935-2937 Pittston Avenue, Scranton PA, 18505

Pin #: 16717020037

The Chairman is authorized to execute an agreement, deed and all other documentation necessary to effectuate the purpose of this Resolution which shall contain such terms and conditions as the Land Bank Solicitor shall deem necessary or appropriate to protect the interests of the Land Bank

**ADOPTED** at a scheduled meeting of the Lackawanna County Land Bank held on October 12, 2018

  
Patrick O'Malley, Chairman

  
Marion Gatto, Secretary

**LAND BANK PROPERTIES FOR DISCUSSION  
LAND BANK MEETING  
OCTOBER 12, 2018**

**ADDITIONAL PROPERTY FOR CONSIDERATION FOR ACQUISITION FROM THE CITY OF SCRANTON. (PROPERTY PURCHASE APPLICATIONS RECEIVED)**

**Parcel Address:** 2935-2937 Pittston Avenue

**Parcel Pin #:** 16717020037

**Dimensions:** 90x60

**Assessed Value:** \$2950



*Land  
Bank  
Approved*

The Land Bank has received a request from the City of Scranton to transfer ownership of this City owned property. According to the correspondence received from the City, this parcel was donated to the City in 2006. The lot is big enough to build on.

There is interest in the property and we have received one (1) application for this parcel as follows:

A property purchase application was received on September 26, 2018 from Steven Coyne. Mr. Coyne would like to like to maintain it as greenspace for now. He would eventually like to build a home on the property.





DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

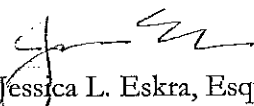
October 29, 2018

To the Honorable Council  
Of the City of Scranton  
Municipal Building  
Scranton, PA 18503

Dear Honorable Council Members:

ATTACHED IS AN ORDINANCE AUTHORIZING THE TRANSFER OF A VACANT PARCEL OF PROPERTY OWNED BY THE CITY OF SCRANTON TO THE LACKAWANNA COUNTY LAND BANK IN ACCORDANCE WITH THE INTERGOVERNMENTAL COOPERATION AGREEMENT BY AND BETWEEN THE LAND BANK, LACKAWANNA COUNTY, CITY OF SCRANTON AND SCRANTON SCHOOL DISTRICT, PROPERTY MORE COMMONLY KNOWN AS 2935-2937 PITTSTON AVENUE, SCRANTON, PA 18505.

Respectfully,

  
Jessica L. Eskra, Esquire  
City Solicitor

JLE/sl

RECEIVED

OCT 29 2018

OFFICE OF CITY  
COUNCIL CITY CLERK

RESOLUTION NO. \_\_\_\_\_

2018

**AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO ACCEPT AND EXECUTE THE PENNSYLVANIA STATE CLEAN DIESEL GRANT PROGRAM (DERA) GRANT IN THE AMOUNT OF \$128,723.00 TO REPLACE TWO (2) STREET SWEEPERS WITH NEW CLEAN DIESEL STREET SWEEPERS.**

**WHEREAS**, the City of Scranton has 129 vehicles in the Department of Public Works' fleet; the majority of these vehicles were purchased before 2015. The city proposed to replace two (2) diesel vehicles in the Department of Public Works fleet with two (2) brand new clean diesel vehicles; and

**WHEREAS**, the goal of this project is to improve Pennsylvania's air quality by decreasing emissions from diesel powered engines operating in Scranton. The goal will be achieved by replacing the older model Street Sweepers with new clean diesel powered Schwarze Industries Model A7 Tornado Regenerative Air Street Sweepers. The new vehicles will each contain a Tier 4 Final, EPA certified engine; and

**WHEREAS**, the City of Scranton has committed to funding a \$386,169.00 matching amount as required by the grant program. This allocation will be made available within the 2019 budget as needed.

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SCRANTON** that the Mayor and other appropriate city officials to accept and execute the Pennsylvania State Clean Diesel Grant Program (DERA) Grant in the amount of \$128,723.00 to replace two (2) street sweepers with new clean diesel street sweepers.

**SECTION 1.** If any section, clause, provision or portion of this Resolution shall be held invalid or unconstitutional by any Court of competent jurisdiction, such decision shall not affect any other section, clause, provision or portion of this Resolution so long as it remains legally enforceable minus the invalid provision. The City reserves the right to amend this Resolution or any portion thereof from time to time as it shall deem advisable in the best interests of the promotion of the purposes and intent of this Resolution and the effective administration thereof.

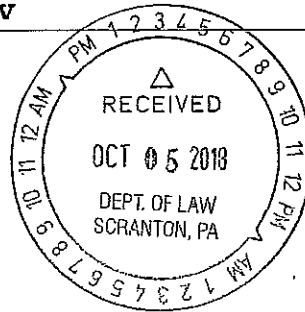
**SECTION 2.** This Resolution shall become effective immediately upon approval.

**SECTION 3.** This Resolution is enacted by the Council of the City of Scranton under the authority of the Act of the Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law", and any other applicable law arising under the laws of the State of Pennsylvania.

---

**Maggie Perry**  
**Grant Manager**  
**570-558-8335**  
**mamclane@scrantonpa.gov**

---



October 3, 2018

Atty. Jessica Eskra  
City of Scranton  
340 North Washington Avenue  
Scranton, Pa 18503

Re: Pennsylvania State Clean Diesel Program

Atty. Eskra,

I am requesting that you send legislation to City Council for a resolution for the City of Scranton to accept and execute the Pennsylvania State Clean Diesel in the amount of \$128,723. The purpose of this funding is to replace two street sweepers with new clean diesel street sweepers.

Attached is a copy of the grant application and supplemental items.

If you have any questions or concerns please feel free to contact me at 558-8335.

Thank you,

A handwritten signature in cursive script that reads "Maggie Perry".

Maggie Perry  
Grant Manager

**Single Application for Assistance**

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

**- Applicant Information**

Applicant Entity Type:	Government
Applicant Name:	City of Scranton
NAICS Code	9211
FEIN/SSN Number	XXXXXXXX
DUNS Number:	060497856
CEO:	William Courtright
CEO Title:	Mayor
SAP Vendor #:	XXXXXX
Contact Name:	Maggie Perry
Contact Title:	Grant Manager
Phone:	(570)-558-8335 Ext.
Fax:	(570)-207-0413
E-mail:	mamclane@scrantonpa.gov
Mailing Address:	340 N. Washington Avenue
City:	Scranton
State:	PA
Zip Code:	18505

## Single Application for Assistance

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

### Enterprise Type

Indicate the types of enterprises that describe the organization listed above. You may select more than one type.

<input type="checkbox"/> Advanced Technology	<input type="checkbox"/> Agri-Processor	<input type="checkbox"/> Agri-Producer
<input type="checkbox"/> Authority	<input type="checkbox"/> Biotechnology / Life Sciences	<input type="checkbox"/> Business Financial Services
<input type="checkbox"/> Call Center	<input type="checkbox"/> Child Care Center	<input type="checkbox"/> Commercial
<input type="checkbox"/> Community Dev. Provider	<input type="checkbox"/> Computer & Clerical Operators	<input type="checkbox"/> Defense Related
<input type="checkbox"/> Economic Dev. Provider	<input type="checkbox"/> Educational Facility	<input type="checkbox"/> Emergency Responder
<input type="checkbox"/> Environment and Conservation	<input type="checkbox"/> Exempt Facility	<input type="checkbox"/> Export Manufacturing
<input type="checkbox"/> Export Service	<input type="checkbox"/> Food Processing	<input checked="" type="checkbox"/> Government
<input type="checkbox"/> Healthcare	<input type="checkbox"/> Hospitality	<input type="checkbox"/> Industrial
<input type="checkbox"/> Manufacturing	<input type="checkbox"/> Mining	<input type="checkbox"/> Other
<input type="checkbox"/> Professional Services	<input type="checkbox"/> Recycling	<input type="checkbox"/> Regional & National Headquarters
<input type="checkbox"/> Research & Development	<input type="checkbox"/> Retail	<input type="checkbox"/> Social Services Provider
<input type="checkbox"/> Tourism Promotion	<input type="checkbox"/> Warehouse & Terminal	

Government,

## Single Application for Assistance

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

### Project Overview

Project Name:

PA State Clean Diesel project

Is this project related to another previously submitted project?

No

If yes, indicate previous project name:

Have you contacted anyone at DEP about your project?

No

If yes, indicate who:

118

**Single Application for Assistance**

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

**Project Overview**

**Single Application for Assistance**

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

**Project Site Locations**

Address:	340 N. Washington Avenue
City:	Scranton
State:	PA
Zip Code:	18503
County:	Lackawanna
Municipality:	Scranton City
PA House:	Kevin Haggerty (112), Marty Flynn (113)
PA Senate:	John P. Blake (22)
US House:	Matthew Cartwright (17)
Designated Areas:	Act 47 Distressed Community



## Single Application for Assistance

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

### Project Budget

	Pennsylvania State Clean Diesel Grant Program (DERA)	Match Private	Total
Pennsylvania State Clean Diesel Grant Program (DERA)	\$128,723.00	\$386,169.00	
Personnel	\$0.00	\$0.00	\$0.00
Contractual	\$0.00	\$0.00	\$0.00
Equipment	\$128,723.00	\$386,169.00	\$514,892.00
Total	\$128,723.00	\$386,169.00	
		<b>Budget Total:</b>	<b>\$514,892.00</b>

#### Basis of Cost

Provide the basis for calculating the costs that are identified in the Project Budget.

Bids/Quotations, Budget Justification

#### Budget Narrative

The narrative must specifically address each of the cost items identified in the Project Budget section. If an amount is placed in any of the OTHER categories, you must specify what the money will be used for. **NOTE:** Some programs have specific guidelines regarding the narrative necessary to qualify for that particular resource. Please read the Program Guidelines for details.

The price is based on a quote provided by Medico Industries, a State of PA Costars Contract Vendor. Please see the quote attached in the Addenda

## Single Application for Assistance

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

### Project Narrative

#### Business Description

Provide a description of the applicant organization, including but not limited to the type of organization and what the organization does.

The applicant organization is the City of Scranton, a local municipal government in Northeastern Pennsylvania. Scranton is the 6th most populous city in Pennsylvania with an estimated 76,000 residents. Scranton is also home to the Steamtown National Historic Site. The Scranton municipal government oversees the public safety and public works of Scranton. Scranton is a medium population density with a high traffic density municipality.

#### Fleet Description

Provide a description of the organizations diesel fleet including what type of engines, equipment, and/or vehicles are part of the fleet, how many are in the fleet and what type of tasks are performed by the fleet. See Instructions for information required in this section.

The City of Scranton has 129 vehicles in the Department of Public Works fleet; the majority of these vehicles were purchased before 2015. A detailed listing of these vehicles is attached in the Addenda.

#### Proposed Project Summary

Provide a summary of the proposed project. If the project is in a 'high pollution area', details describing the area should be included here. Applicants should also describe why the project is needed and why the grant is needed to complete the project. See Instructions for information required in this section.

The City of Scranton proposed to replace two diesel vehicles in the Department of Public Works fleet with two brand new clean diesel vehicles; they vehicles to be replaced are the Street Sweepers. The goal of this project is to improve Pennsylvania's air quality by decreasing emissions from diesel powered engines operating in Scranton. The goal will be achieved by replacing the older model Street Sweepers with new clean diesel powered Schwarze Industries Model A7 Tornado Regenerative Air Street Sweeper. The new vehicles will each contain a Tier 4 Final, EPA certified engine. Overtime Scranton would like to replace all city vehicles with new clean diesel vehicles in order to support our goal.

The City of Scranton is an Act 47 Distressed Municipality, due to budget shortfalls it is often difficult to provide funding to purchase new vehicle/equipment; it is often more cost effective to continuously fix older vehicles/ equipment. However continued use of older vehicles and equipment is hazardous to the environment.

#### Work Plan with Schedule

Applicants must provide a preliminary work plan that includes an implementation schedule identifying sub-tasks, schedule for their completion and identification of parties responsible for their accomplishment. See Instructions for information required in this section.

Once the funding is approved the City of Scranton will purchase the new vehicles by September 30, 2018 with the intention of utilizing them for the 2019 street sweeping program which is expected to begin in April, weather permitting.

**Single Application for Assistance**

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

**Program Addenda****1. Small Business Designation**

Is the applicant a business with fewer than 100 full-time equivalent employees?

No

**2. Doing Business As or DBA**

If you are doing business under a name different than the entity's legal name ("Doing Business As, or DBA"), please enter it here and attach your DBA documentation under question 15, below (Supporting Documentation).

N/A

**3. Organization Types**

Select one of the following organization types for your organization

Municipal Government

If Air Quality or Transportation Organization is selected, identify...

A) The Pennsylvania-based member:

N/A

B) The eligible entity it has partnered with or is managing project for:

N/A

**4. Project Duration**

Identify the anticipated Project start date and end date. (Please note: Project period begins upon grant award and must end by September 30, 2018, unless an extension is granted by DEP.)

Start Date

09/01/2018

End Date:

09/30/2018

**5. Project Type**

Choose the applicable project type by clicking the checkboxes below. If more than one project type is proposed, select all that apply and provide details in the Project Narrative Tab under the Proposed Project Summary. See Program Guidelines for detailed project type descriptions.

Purchase of EPA or CARB certified/verified diesel vehicle or equipment replacement, including clean alternative fuel replacements.

**6. Facility or Infrastructure Project**

Are facilities or infrastructure developments or improvements needed for this project?

No

If yes, is your project consistent with a county, municipal or multi-municipal comprehensive plan or zoning ordinance?

Yes

**7. Brownfield or Environmental Justice Location**

See Instructions for guidelines on identifying brownfields and Environmental Justice areas

Is the project located on a Brownfield (a vacant, previously utilized site)?

**Single Application for Assistance**

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

**Program Addenda**

No

Is the project located on a designated Environmental Justice site?

No

**8. Priority Areas**

Is the project located in a priority area, as defined in the instructions.

No

If yes, identify the county(ies)

**9. High Pollution Areas**

Is the project located in a 'high-pollution area', as defined in the instructions?

Yes

If yes, select the type of 'high-pollution area' from the choices below

Rail Yard

**10. Population Density**

Is the project location in a high, medium or low population density municipality?

Medium

Identify the municipality. See instructions.

Scranton City

**11. Traffic Density**

Is the project in a high traffic density area?

Yes

If yes, select all that applies

Area of Operation

**12. Vehicle, Engine, or Equipment Quantity**

Identify the number of vehicles, engines, or equipment to be retrofitted, upgraded or replaced in the proposed project. If the project is a truck stop electrification, marine shore power, or locomotive shorepower project, indicate the number of charging/hook-up locations will be installed.

This grant funding will assist the City of Scranton with the purchase of two new SCHWARZE A7 TORNADO STREET SWEEPERS mounted on PETERBILT 220 CABOVER CHASSIS

**13. Complete and Upload the Annual Emission Summary**

Use the U.S. EPA's Diesel Emission Quantifier (DEQ) to quantify emission reduction estimates for this project. See the instructions for more information on using the DEQ. If your project emission reductions cannot be estimated using the DEQ, contact the Department to receive approval for an alternate calculation method.

Download PSCDG Annual Emission Summary Chart.xlsx

**Single Application for Assistance**

Web Application Id: 8174351

Single Application Id: 201807051110

Applicant: City of Scranton

Program Selected: Pennsylvania State Clean Diesel Grant Program (DERA)

**Program Addenda****Uploaded Documents**

Copy of PSCDG Annual Emission Summary Chart.xlsx

**14. Upload the Applicant Fleet Description**

You can either fill out and upload the Excel spreadsheet or you can provide the mandatory information in a Word document. See the Instructions for details on mandatory information

Download Applicant Fleet Description PA State Clean Diesel Grant.xlsx

**Uploaded Documents**

Copy of equipment 10-12-16.xlsx

**15. Upload any supporting documentation**

Applicant should attach any letters of financial commitment, letters of support or any other pertinent information suitable for review, if DEQ results are printed out or downloaded, they should be included in this Attachment.

**Uploaded Documents**

match letter.pdf

Scranton DPW Sweeper.pdf



## Pennsylvania Department of Environmental Protection

Single Application for Assistance

Single Application #: 201807051110

This page must accompany all required supplemental information **Mail to:**

Pennsylvania Department of Environmental Protection  
DEP Grants Center  
P.O. Box 8776  
Harrisburg, PA 17105-8776

I hereby certify that all information contained in the single application and supporting materials submitted to DEP via the Internet, Single Application # 201807051110 and its attachments are true and correct and accurately represent the status and economic condition of the Applicant, and I also certify that, if applying on behalf of the applicant, I have verified with an authorized representative of the Applicant that such information is true and correct and accurately represents the status and economic condition of the Applicant. I also understand that if I knowingly make a false statement or overvalue a security to obtain a grant and/or loan from the Commonwealth of Pennsylvania, I may be subject to criminal prosecution in accordance with 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities) and 31 U.S.C. §§ 3729 and 3802 (relating to false claims and statements).



Signature: Maggie Perry

The Pennsylvania Department of Environmental Protection reserves the right to accept or reject any or all applications submitted on the Single Application for Assistance contingent upon available funding sources and respective applicant eligibility.



June 22, 2018

City of Scranton, DPW  
11 West Poplar Street  
Scranton, PA 18509  
Attn: Mr. Dennis Gallagher

Ref: State of PA CoStars Contract #025-052

QUOTE FOR SCHWARZE A7 TORNADO SWEEPER BODY mounted on PETERBILT 220 CABOVER CHASSIS

Two (2) New Schwarze Industries Model A7 Tornado Regenerative Air Street Sweeper as per the following specifications and options:

Sweeper Engine:

John Deere 4045 Tier 4 Final Engine  
Fuel Water Separator  
3 Point Sager Engine Shut Down Device  
Battery and 50 Gallon Fuel Tank with Chassis  
90 Amp Alternator  
2 Year Warranty on Auxiliary Engine

Pick Up Head:

90"x36" Sweeping Head with Rubber Blast Orifice  
3/8" Thick, 14" diameter Pressure Hose, 14" Suction Hose  
Sweeps in Reverse  
Doublewide Full Length Carbide Drag Shoes Warranted against wear out, 2 year/2,000 hours, Prorated

Hydraulic System:

25 Gallon Vented Hydraulic Reservoir, with Shut off Valves  
Tank Mounted Level and Temperature Indicator  
Hydraulic Pressure, 2500 psi  
Spin-On 10 Micron Return Filter  
9000 BTU Oil to Air Radiator Type Oil Cooler  
12 Volt DC Hydraulic Back up System

Dust Control System:

Twin Electric Diaphragm Water Pumps, with In Let Restriction Indicator  
60 PSI, 6.0 gpm  
Water Tank Capacity 250 Gallons, Polyethylene  
25-Foot-Ling Fire Hydrant Fill Hose  
50 Mesh Cleanable Filter, with Shut off Valve

Water Spray Nozzles Shall Be Provided as Follows:

- Five at Pick head, two nozzles inside hopper
- Two at Gutter Broom, per Option Selected
- Two Nozzles in Suction Tube, Two at Front Axle
- An Air Purge System for Flushing Water Lines

**Dust Separator:**

Centrifugal Dust Separator 29,000 cu in with 1680 sq. in door

**Hopper:**

Mild Steel, 8.4 Cu Yd., 7 Cu Yd. Usable Capacity  
Screens – 5615 Square Inches, Saw Tooth Design  
Twin Dumping Cylinders, 51 Degrees  
Rear Door Hydraulically Opened, Closed, and Locked  
Dual 20"x32" Watertight inspection Doors, 1 Left, 1 Right  
External Weatherproof Dump Switches  
Shroud Enclosing the Auxiliary Engine

**Operating Controls and Instruments:**

Aux Engine Control with full color Display on Console:

- Keyed Ignition, Electronic Throttle, leaf Bleeder, Oil Pressure Gauge,
- Water Temperature Gauge, Voltmeter, Tachometer, and Hour Meter

Diagnostic Display Gauge for Aux. Engine, overweight warning

Selectable sweep of lift in reverse, system standby, in-cab tilt, variable speed brooms.

All other standard Sweeper Function switches to be provided and included for Standard and options  
Selected

Swiveling console for left or right sweeping

**Blower:**

Closed Face Turbine 10 Curves Blades, 32.75" Dia by 5" Wide  
500 Brinell Hardness Abrasion Resistant Steel  
Fully Balanced within 1.5 grams on Both Sides  
Vacuum Enhancer with indicator in cab  
Remote grease lines for fan bearing

**Safety Equipment:**

Two Body Props to Lock Hopper in Raised Position  
Red Amber LED Strobe with Guard  
2 Rear Yellow Alternating LED Flashing Lights  
Slow moving vehicle emblem, back up alarm  
5lb Fire Extinguisher and a warning triangle kit

**Sweeper Warranty:**

12 Months, 1200 Hours is Standard

Power Module Option:

- (1) 115HP John Deere Tier IVF

**Sweeping Head Options:**

- (1) Standard with Rubber Blast Orifice



**Gutter Broom Options:**

- (1) Gutter Broom, Dual
- (1) Gutter Broom, Tilt Power
- (1) Gutter Broom, GEO Dual
- (1) Standby, Full with Throttle Ramp
- (1) Variable Speed Gutter Broom(s)

**Miscellaneous Options:**

- (1) Camera System, Dual

**Water System Options:**

- (1) Water Tank, Standard with Additional 350 Gallon, 700 Gallons Total
- (1) Water Tank Low Level Alarm & Ind
- (1) Spray Bar, Front
- (1) Spray Bar, Hopper Add. 4 Nozzles
- (1) High Pressure Wash-down with 50' Hose Reel

**Hopper Options:**

- (1) Hopper Standard (8.4 Cu yd.) – Mild Steel
- (1) Auto Drop Down Screens (All Hoppers)
- (1) Hopper Sound Suppression
- (1) Hopper Dump Assist Shaker
- (1) Hopper Deluge-Conical Spray
- (1) Load Weight Alarm and Indicator
- (1) Hopper Up Alarm and Indicator
- (1) Hopper Aux. Engine Screen Cover
- (1) Hopper Door Open Indicator

**Auxiliary Engine:**

- (1) Low Hydraulic Level Indicator in Cab

**Rear Lighting:**

- (1) Strobe, Dual Rear with Guard, LED
- (1) Arrow Board, Traffic Guide, LED

**Cab Lighting:**

- (1) Barlight, Cabover LED

**Special Paint Options:**

- (1) Paint, Standard – White
- (1) Decal Kit

**Chassis Mounting Options:**

- (1) Peterbilt 220 33K 220HP Dual Steer 2018 Model Year

**Truck Kit Options:**

- (1) Peterbilt 220-Behind Cab Exhaust

Sweeper Extended Warranty:

(1) Silver 2 Years or 2,400 Hours

Total Cost as Equipped Including Freight - \$257,446.00 Each

Leadtime:

(1) 2-3 weeks

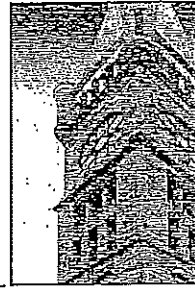
Thank you for giving us the opportunity to submit our proposal. We look forward to the opportunity of working with you in the near future.

Sincerely,

Ryan Mitvalsky  
Territory Manager  
Medico Industries  
Cell: 570-550-2057  
Ryan.Mitvalsky@medicoind.com

## BUSINESS ADMINISTRATION

City Hall  
340 North Washington Avenue  
Scranton, Pennsylvania 18503  
Tel: (570) 348-4118  
Fax: (570) 348-4225



SCRANTON

June 27, 2018

Mr. Martin T. Felion  
Department of Environmental Protection  
Bureau of Air Quality  
Rachel Carson State Office Building  
P.O. Box 2063  
Harrisburg, PA 17105-2063

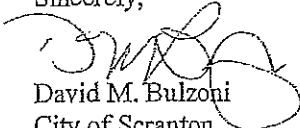
Re: PA State Clean Diesel Grant

Dear Mr. Felion:

Relative to the above, please be advised that the City of Scranton is committed to funding a \$386,169 matching amount as required by the grant program. The allocation will be made available within the approved 2018 budget and reallocated in the 2019 operating budget as needed. On behalf of the City of Scranton, I would like to thank you for your assistance.

Please contact the City of Scranton with any questions.

Sincerely,



David M. Bulzoni  
City of Scranton  
Business Administrator



DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

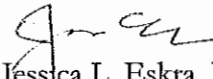
October 29, 2018

To the Honorable Council  
Of the City of Scranton  
Municipal Building  
Scranton, PA 18503

Dear Honorable Council Members:

ATTACHED IS A RESOLUTION AUTHORIZING THE MAYOR AND  
OTHER APPROPRIATE CITY OFFICIALS TO ACCEPT AND EXECUTE THE  
PENNSYLVANIA STATE CLEAN DIESEL GRANT PROGRAM (DERA) GRANT IN  
THE AMOUNT OF \$128,723.00 TO REPLACE TWO (2) STREET SWEEPERS WITH  
NEW CLEAN DIESEL STREET SWEEPERS.

Respectfully,

  
Jessica L. Eskra, Esquire  
City Solicitor

JLE/sl

RECEIVED

OCT 29 2018

OFFICE OF CITY  
COUNCIL/CITY CLERK

FILE OF THE COUNCIL NO. \_\_\_, 2018

AN ORDINANCE

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCRANTON, LACKAWANNA COUNTY, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE ITS FEDERALLY TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2018 (THE "NOTE") IN A PRINCIPAL AMOUNT NOT TO EXCEED TWENTY-TWO MILLION NINE HUNDRED NINETY THOUSAND DOLLARS (\$22,990,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, 53 PA.C.S. CHAPTERS 80-82, AS AMENDED, REENACTED AND SUPPLEMENTED, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE "ACT"); FINDING THAT A PRIVATE SALE BY NEGOTIATION IS IN THE BEST FINANCIAL INTERESTS OF THE CITY; DETERMINING THAT SUCH NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE CITY; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS TO FINANCE A PROJECT OF THE CITY WHICH CONSISTS OF, AMONG OTHER THINGS: (1) FUNDING ALL OR A PORTION OF THE CITY'S UNFUNDED ACTUARIAL ACCRUED PENSION LIABILITY; AND (2) PAYING THE COSTS AND EXPENSES OF ISSUANCE OF THE NOTE; SETTING FORTH THE REASONABLE ESTIMATED USEFUL LIFE OF THE PROJECT TO BE FINANCED BY THE NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE CITY; FIXING THE DENOMINATION, DATED DATE, INTEREST PAYMENT DATES, INTEREST RATE, REDEMPTION PROVISIONS AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE CITY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH NOTE TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE CITY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH NOTE, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT FOR SUCH NOTE WHEN DUE; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH NOTE; AUTHORIZING THE EXECUTION OF ONE OR MORE INVESTMENT AGREEMENTS BY SPECIFIED OFFICERS OF THE CITY (IF APPLICABLE) AND THE PURCHASE OF CERTAIN U.S. TREASURY OBLIGATIONS OR ANY OTHER SECURITIES OR INVESTMENTS IN CONNECTION WITH THE PROJECT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE CITY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE DEBT TO BE EVIDENCED BY SUCH NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE CITY, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE CITY TO DELIVER THE NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT HEREWIT

WHEREAS, the City of Scranton, Lackawanna County, Pennsylvania (the "City"), is a home rule charter city operating under the Home Rule Charter and Optional Plans Law of the Commonwealth of Pennsylvania (the "Commonwealth"); and

WHEREAS, the Council (the "Council") of the City has determined to undertake a Project (hereinafter defined) consisting of, among other things, the funding of its unfunded actuarial accrued liability with respect to the pension funds of the City, computed in accordance with the Municipal Pension Plan Funding Standard and Recovery Act, as amended ("Act 205"), being Act No. 205 of the General Assembly of the Commonwealth, approved December 18, 1994, as amended; and

WHEREAS, in accordance with the Act of the General Assembly of the Commonwealth, 53 P.a.C.S., Chapters 80-82, as amended, reenacted and supplemented, and known as the Local Government Unit Debt Act (the "Act"), the Council has reviewed the actuarial report presented by Beyer Barber Company Actuarial Consultants, Allentown, Pennsylvania, and has determined that the maximum estimated cost of the Project, excluding costs of financing, is \$103,402,583; and

WHEREAS, the Council deems it in the best financial interest of the City to fund its unfunded accrued pension fund liability through the incurrence of nonelectoral debt pursuant to the Act by issuing its note, designated generally as "Federally Taxable General Obligation Note, Series of 2018" (the "Note") in a principal amount not to exceed Twenty-Two Million Nine Hundred Ninety Thousand Dollars (\$22,990,000) and has determined that a private sale by negotiation is in the best financial interests of the City; and

WHEREAS, it is necessary that the indebtedness of the City be increased for the purposes of providing funds to finance a project consisting of (1) funding all or a portion of the City's unfunded actuarial accrued pension liability; and (2) paying the costs and expenses of issuance of the Note (the "Project"); and

WHEREAS, the Note will be issued pursuant to the Act; and

WHEREAS, it is necessary that the indebtedness of the City be increased for the purpose of funding the Project; and

WHEREAS, the proposed increase of debt, together with its nonelectoral indebtedness and its lease rental indebtedness presently outstanding, will not cause the limitations of the City, pursuant to constitutional and statutory authority, to be exceeded; and

WHEREAS, to finance the costs of the Project, Webster Bank, N.A. (the "Purchaser") has determined to make a loan to the City in a principal amount not to exceed Twenty-Two Million Nine Hundred Ninety Thousand Dollars (\$22,990,000) and has issued its proposal to the City for the financing of the costs of the Project (and as such proposal may be amended and supplemented from time to time, the "Proposal"); and

WHEREAS, the City desires to formally approve the Project, to accept the Proposal, to authorize the incurrence of nonelectoral debt under the Act, and to authorize the execution and delivery of the Proposal; and

NOW, THEREFORE, BE IT ENACTED AND ORDAINED by the Council of the City, and it is hereby enacted by the authority of same as follows:

SECTION 1. That the principal amount of the Note of the City proposed to be issued will not to exceed Twenty-Two Million Nine Hundred Ninety Thousand Dollars (\$22,990,000), same to be issued for the foregoing purposes and same to be incurred as nonelectoral debt.

SECTION 2. The City hereby approves the Project to be undertaken consisting of providing funds to finance the: (1) funding all or a portion of the City's unfunded actuarial accrued pension liability; and (2) paying the costs and expenses of issuance of the Note.

It is hereby determined and declared that the estimated useful life of the Project which is to be financed by the proceeds of the Note is 40 years.

It is hereby certified that a principal amount of the Note at least equal to the realistic estimated cost of each such capital project shall mature prior to the end of the useful life of such project. Stated installments or maturities of principal of the Note will not be deferred beyond the later of one year after the estimated date for the completion of the construction portion of the Project, if any, or two years from the date of issuance of the Note.

The City hereby finds and certifies that realistic cost estimates have been obtained for the costs of the Project from financial analysts, registered architects, professional engineers or other persons qualified by experience to provide such estimates.

SECTION 3. Said indebtedness shall be evidenced by one federally taxable general obligation note in the principal amount not to exceed Twenty-Two Million Nine Hundred Ninety Thousand Dollars (\$22,990,000), dated and bearing interest from the earliest date of possible issue of the Note under the statutory time requirements as set forth in the Act, at a maximum annual rate of interest specified in the Proposal, payable on the unpaid balance of the Note during the term of the Note. Interest is payable on the unpaid balance of the Note during its term until paid. The Note shall mature in maximum installments of principal and at the maximum annual rate of interest as shown on the attached schedule hereinafter referred to as "Exhibit A".

The City reserves the right to anticipate any or all installments of principal or any payment of interest at any time prior to the respective payment dates thereof, in accordance with the limitations as specified in the Proposal, if any.

The principal and interest of said Note shall be payable at the office of the sinking fund depositary selected for the Note as hereinafter provided.

SECTION 4. The Note is hereby declared to be a general obligation of the City.

SECTION 5. The City hereby covenants that it shall include the amount of debt service on the Note for each fiscal year in which such sums are payable in its budget for that year; shall appropriate such amounts from its general revenues for the payment of such debt service; and shall duly and punctually pay or cause to be paid from its general revenues the principal of the Note and the interest thereon at the dates and places and in the manner stated in the Note according to the true intent and meaning thereof, and for such proper budgeting, appropriation, and payment, the full faith, credit and taxing power of the City are hereby irrevocably pledged.

The maximum amounts which the City hereby covenants to pay in each of the fiscal years that the Note is outstanding on the basis of the maximum annual rate of interest as specified in the Proposal are shown on Exhibit "A" hereto.

SECTION 6. The Note, when issued, will be a general obligation of the City.

SECTION 7. The form of the Note shall be substantially as shown on the attached Exhibit "B".

SECTION 8. The Note shall be executed in the name and under the seal of the City by the Mayor and the Controller of the City and attested to by the City Clerk of the City in substantially the form attached hereto together with such changes, modifications, insertions and deletions, including the appropriate designation of the year such Note is issued, as such officers, with the advice of counsel, deem necessary and appropriate; its execution and delivery thereof shall be conclusive evidence of the approval and authorization by the City of the final terms of the Note. The Mayor, the Controller, the City Clerk, or other proper official of the City is hereby authorized and directed to deliver the Note to the Purchaser, and receive payment therefor on behalf of the City. The Mayor, the Controller or the City Clerk of the City are each individually authorized and directed to prepare, verify and file the debt statement required by Section 8110 of the Act, and to take other necessary action, including, if necessary or desirable, the filing, either before or after the issuance of the Note, additional debt statements or any statements required to

qualify any portion of the debt from the appropriate debt limit as self-liquidating or subsidized debt.

SECTION 9. Community Bank, N.A., or such other paying agent which shall be a bank or bank and trust company authorized to do business in the Commonwealth, as may be selected by the Mayor of the City, is hereby designated as the Sinking Fund Depositary for the Note herein authorized, and there is hereby created and established a sinking fund to be known as the "City of Scranton, Pennsylvania, Sinking Fund - Federally Taxable General Obligation Note, Series of 2018" (the "Sinking Fund"), or such other name or designation to coincide with the name of the Note and the series and year issued as selected by the proper officers of the City, for the payment of the principal and interest thereon which shall be deposited into the Sinking Fund no later than the date upon which the same becomes due and payable. The Controller of the City or other appropriate officer of the City shall deposit into the Sinking Fund, which shall be maintained until such obligation is paid in full, sufficient amounts for payment and interest on the obligation no later than the date upon which such payments shall become due. The Sinking Fund Depositary shall, as and when said payments are due, without further action by the City withdraw available monies from the Sinking Fund and apply said monies to payment of the principal of and interest on the Note.

SECTION 10. The Mayor and the Controller of the City, as attested by the City Clerk of the City, are hereby authorized to contract with Community Bank, N.A., or such other paying agent which shall be a bank or bank and trust company authorized to do business in the Commonwealth, as may be selected by the Mayor of the City, for its services as Sinking Fund Depositary for the Note and Paying Agent for the same (the "Paying Agent").

SECTION 11. In compliance with Section 8161 of the Act, the City has determined that a private sale by negotiation, rather than public sale, is in the best financial interest of the City. The Proposal is hereby accepted and the Note in the principal amount not to exceed Twenty-Two Million Nine Hundred Ninety Thousand Dollars (\$22,990,000), herein authorized to be issued and sold, is hereby awarded and sold to the Purchaser in accordance with its proposal to purchase the said Note at par; provided the said Note is dated the date of delivery thereof to the Purchaser and is in substantially the form set forth in Exhibit B to this Ordinance with such changes as may be approved by the officers of the City executing such Note; and further provided that the proceedings have been approved by the Department of Community and Economic Development if such approval is required under the provisions of the Act. A copy of said Proposal shall be attached hereto as Exhibit "C" and lodged with the official minutes of this meeting and is hereby incorporated herein by reference.

SECTION 12. If necessary, the City hereby approves the execution of one or more investment agreements, the purchase of certain U.S. Treasury obligations or any other securities or investments (the "Investments") for investment of the proceeds of the Note or any other funds of the City in connection with the Project. The City hereby authorizes and directs the Mayor and the Controller of the City to execute and the City Clerk of the City to attest any investment agreement on behalf of the City, in the form approved by the Solicitor to the City. The Investments shall be limited to those authorized under law for proceeds of the Note or such other funds of the City.

SECTION 13. At settlement, the proceeds of the Note, net of the Purchaser's discount or fee, if such discount or fee is to be paid with the proceeds of the Note, shall be deposited into a settlement account with the Paying Agent. From the settlement account the Paying Agent shall pay, or establish reserves for, the costs of issuance, upon receipt of proper invoices therefor, to the persons and in the amounts as set forth in written instructions from the City to the Paying Agent. The amount remaining after disbursement of issuance costs, if such issuance costs are to be paid with the proceeds of the Note, shall be applied by the City to finance the costs of the Project and shall, with thirty (30) days of settlement, be deposited into the appropriate pension fund of the City (the Firemen's Pension Fund, the Police Pension Fund and the Non-Uniformed Pension Fund, as applicable) to pay all or a portion of its unfunded actuarial accrued liability as of the date of final enactment of this Ordinance.

SECTION 14. In accordance with the Act, prior to the issuance of the Note, the City hereby covenants to file with the Public Employee Retirement Commission (Pennsylvania Auditor General), a certified copy of this Ordinance, together with the approval of the



Department of Community and Economic Development relating to the issuance of the Note by the City.

SECTION 15. All expenses incurred in connection with issuance of the Note shall be paid out of the proceeds derived from the issuance of the Note or other funds of the City and the Mayor of the City is authorized to approve requests for payment of such expenses and to pay such expenses.

SECTION 16. Stevens & Lee, P.C., Scranton, Pennsylvania, is hereby appointed Bond Counsel in connection with the issuance and sale of the Note, PFM Financial Advisors LLC to act as Financial Advisor to the City, Amil Minora, Esquire, counsel to City Council, and Jessica Eskra, Esquire, City Solicitor, and any other professionals, as necessary or appropriate, in connection with the purposes of and to facilitate the intent of this Ordinance as the Mayor of the City may appoint.

SECTION 17. The action of the proper officers and the advertising of a summary of this Ordinance, as required by law in a newspaper of general circulation in the City, is ratified and confirmed. The advertisement of enactment in said newspaper is hereby directed within fifteen (15) days following the day of final enactment.

SECTION 18. The Mayor, Controller and City Clerk of the City and all other proper officers of the City are hereby authorized, jointly and severally, to do any and all other things necessary to effectuate the issuance, execution, delivery and sale of the Note, including the execution and delivery of any and all additional documents, representations, declarations, depositary agreements, debt service agreements, control agreements, deposit account control agreements, loan agreements, reimbursement agreements, security agreements, promissory notes, intercreditor agreements, derivative and/or interest rate management agreements, escrow agreements, assignments, financing statements, certificates, authorizations, contracts, agreements, insurance binders and other papers as may be necessary to effectuate any of the foregoing, and such execution and delivery shall be conclusive evidence of the authorization and approval thereof by the City.

SECTION 19. If any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of the City that the remainder of this Ordinance shall remain in full force and effect. The City reserves the right to amend this Ordinance or any portion hereof from time to time as it shall deem advisable in the best interest of the promotion of the purposes and intent of this Ordinance, and the effective administration hereof.

SECTION 20. All ordinances or parts of ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly hereby are repealed.

SECTION 21. This Ordinance is enacted by the Council of the City under the authority of the Act of the Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law," and any other applicable law arising under the laws of the Commonwealth.

SECTION 22. This Ordinance shall be effective in accordance with Section 8003 of the Act.

EXHIBIT A TO ORDINANCE

Maximum Amortization Schedule

CITY OF SCRANTON  
TAXABLE SERIES OF 2018

MAXIMUM PARAMETERS

Settle  
Dated

12/17/2018  
12/17/2018

1	2	3	4	5	6
<u>Date</u>	<u>Principal</u>	<u>Max Rate*</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Proposed Fiscal Year Debt Service</u>
6/1/2019		9.00	942,590.00	942,590.00	
12/1/2019		9.00	1,034,550.00	1,034,550.00	1,977,140.00
6/1/2020		9.00	1,034,550.00	1,034,550.00	
12/1/2020	5,295,000	9.00	1,034,550.00	6,329,550.00	7,364,100.00
6/1/2021		9.00	796,275.00	796,275.00	
12/1/2021	5,585,000	9.00	796,275.00	6,381,275.00	7,177,550.00
6/1/2022		9.00	544,950.00	544,950.00	
12/1/2022	5,895,000	9.00	544,950.00	6,439,950.00	6,984,900.00
6/1/2023		9.00	279,675.00	279,675.00	
12/1/2023	6,215,000	9.00	279,675.00	6,494,675.00	6,774,350.00
TOTALS	22,990,000		7,288,040.00	30,278,040.00	30,278,040.00

EXHIBIT B TO ORDINANCE

Form of Note

CITY OF SCRANTON  
LACKAWANNA COUNTY, PENNSYLVANIA

FEDERALLY TAXABLE GENERAL OBLIGATION NOTE  
SERIES OF 2018

\$ \_\_\_\_\_

Dated: December \_\_, 2018

KNOW ALL MEN BY THESE PRESENTS, that the City of Scranton, Lackawanna County, Pennsylvania (the "City"), a home rule charter city operating under the Home Rule Charter and Optional Plans Law of the Commonwealth of Pennsylvania (the "Commonwealth"), for value received, hereby acknowledges itself indebted and promises to pay to the order of Webster Bank, N.A. (the "Bank" or the "Purchaser"), at 100 Westminster Street, Providence, Rhode Island 02903, or at such other place as the Bank, from time to time, may designate in writing, the principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) in lawful money of the United States of America, together with interest on the unpaid principal balance of this Note (hereinafter defined), on the terms and conditions described below, as specified, computed and subject to adjustment in accordance with the purchase proposal from the Bank to the City (the "Proposal"). A copy of such Proposal is attached hereto as Exhibit "A", the terms and conditions of which are binding upon the City and are incorporated herein by reference.

Certain Definitions

As used in this Note, the following terms shall have the meanings set forth below:

*Adjusted LIBOR Rate:* Relative to each LIBOR Interest Period, a rate per annum determined by dividing (x) 30-Day LIBOR for such LIBOR Interest Period by (y) a percentage equal to one hundred percent (100%) minus the LIBOR Reserve Percentage. The Adjusted LIBOR Rate will be deemed to change on each date when there is a change in the LIBOR Reserve Percentage.

*Bank Purchase Rate:* A per annum variable rate of interest equal to, except as otherwise set forth in this Note, the sum of the Adjusted LIBOR Rate, as determined by the Bank for each LIBOR Interest Period, plus 2.20%.

*Business Day:* Any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions in New York, New York, or any city in which the principal office of the Bank is located are authorized by law or executive order to remain closed and when such term is used to describe a day on which a payment, redemption or repayment is to be made in respect of this Note, any day which is (a) neither a Saturday nor a Sunday nor a legal holiday on which commercial banks are authorized or required to be closed in New York, New York; and (b) a London Banking Day; and when such term is used to describe a day on which an interest

rate determination is to be made in respect of this Note, any day which is a London Banking Day.

*Closing Date:* The date on which this Note is issued by the City and purchased by the Bank.

*Event of Default* shall have the meaning set forth herein under the heading "Events of Default".

*LIBOR Interest Period:*

- (i) initially, the period beginning on (and including) the Closing Date and ending on (and including) the last day of the month in which the closing occurred;
- (ii) thereafter, each period commencing on the first of each month and ending on the last day of such month;
- (iii) provided, however, that
  - (a) if such LIBOR Interest Period would otherwise end on a day which is not a Business Day, such LIBOR Interest Period shall end on the next following Business Day unless such day falls in the next calendar month, in which case such LIBOR Interest Period shall end on the first preceding Business Day; and
  - (b) no LIBOR Interest Period may end later than the next scheduled Purchase Date.

*LIBOR Reserve Percentage:* Relative to any day of any LIBOR Interest Period, the maximum aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) under any regulations of the Board of Governors of the Federal Reserve System (the "Board") or other governmental authority having jurisdiction with respect thereto as issued from time to time and then applicable to assets or liabilities consisting of "Eurocurrency Liabilities", as currently defined in Regulation D of the Board, having a term approximately equal or comparable to such LIBOR Interest Period.

*London Banking Day:* A day on which dealings in U.S. deposits are transacted in the London interbank market.

*Purchase Date:* Any Interest Payment Date.

*30-Day LIBOR:* Relative to any LIBOR Interest Period, the offered rate for deposits of U.S. Dollars for a term coextensive with the designated LIBOR Interest Period which the ICE Benchmark Administration (or any successor administrator of LIBOR rates) fixes as its LIBOR rate as of 11:00 a.m. London Time on the day which is two London Banking Days prior to the beginning of such LIBOR Interest Period. If such day is not a London Banking Day, the 30-Day LIBOR shall be determined on the next preceding day which is a London Banking Day. If for any reason the Bank cannot determine such offered rate fixed by the then current administrator of LIBOR rates, the Bank may, in its sole but reasonable discretion and upon notice to the City,

use an alternative method to select a rate calculated by the Bank to reflect the rate of return the Bank would have expected to receive if LIBOR rates could have been determined.

#### Calculation of Interest

This Note shall bear interest at the Bank Purchase Rate determined by the Bank for each LIBOR Interest Period. The amount of interest due on this Note shall be determined by the Bank and communicated to the City and the Paying Agent (hereinafter defined) by facsimile no later than 3:30 p.m. (New York City time) on the third Business Day prior to each Interest Payment Date (such communication to set forth the amount of interest due at the then applicable Bank Purchase Rate). After the occurrence and during the continuance of any Event of Default, this Note will, at the option of the Bank, bear interest at a rate per annum (the "Default Rate") which at all times shall be equal to the sum of (i) four percent (4%) per annum plus (ii) the Bank Purchase Rate then payable with respect thereto (but in no event in excess of the maximum rate from time to time permitted by then applicable law). In addition, if the entire amount of any required principal and/or interest payment is not paid on the day the same is due, the City shall pay to the Bank a late fee equal to \$100. The annual interest rate on this Note shall not at any time be more than 9.000%. The Paying Agent shall not be responsible for calculating the Bank Purchase Rate and shall be entitled to conclusively rely on the calculation by the Bank of such rate.

Annual payments of principal of this Note are payable as shown on Exhibit "B" attached hereto and made a part hereof. This Note shall bear interest from the date of issue at an annual rate of interest specified herein on the unpaid principal balance of this Note during the term of this Note. Maximum semi-annual payments of interest on this Note are payable as set forth herein and as shown on Exhibit "B" attached hereto and made a part hereof at the maximum rates as specified on Exhibit "B". Interest on this Note shall be payable semi-annually on each June 1 and December 1, commencing on June 1, 2019, on the unpaid principal balance of this Note. Interest on this Note shall be computed on the basis of a 360-day year and paid for the actual days elapsed.

On December 1, 2023, all principal, accrued, unpaid interest and other amounts evidenced by this Note shall be due and payable in full, without notice or demand.

If the due date for payment of interest on or principal of this Note shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday or a day upon which banking institutions in the Commonwealth are authorized by law or executive order to close with the same force and effect as if made on the due date for payment of principal or interest and no interest shall accrue thereon for any period after such due date.

Both principal and interest are payable in such coin or currency as on the respective date of payment thereof and shall be legal tender for the payment of public and private debts, at the office of Community Bank, N.A., as paying agent (the "Paying Agent"), located in Scranton, Pennsylvania.

This Federally Taxable General Obligation Note, Series of 2018 (the "Note") is issued under and pursuant to provisions of the Ordinance enacted by the Council of the City on November \_\_, 2018 (the "Ordinance"). This Note is authorized to be issued under the Local Government Unit Debt Act of the Commonwealth, as reenacted and amended (the "Act"), without the assent of electors, and pursuant to the Ordinance. This Note shall be issued in the principal amount of \$\_\_\_\_\_ and is subject to provisions and is entitled to the benefit of provisions of the Ordinance. The terms and provisions of the Ordinance are hereby incorporated by reference as if set forth fully herein.

The City has covenanted in the Ordinance, to and with the registered owner(s) hereof, that it (i) shall include the amount of the debt service for this Note, for each fiscal year of the City in which such amounts are payable, in its budget for that fiscal year, (ii) that it shall appropriate such amounts from its general revenues for the payment of such debt service in each such fiscal year, and (iii) that it shall duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance or any other of its revenues or funds the principal amount of this Note and the interest due thereon at the dates and places and in the manner stated therein, according to the true intent and meaning thereof and for such budgeting, appropriation and payment the City has pledged, irrevocably, its full-faith, credit and taxing power.

The City shall have the privilege to prepay the unpaid principal indebtedness of this Note, in whole or in part, at any time, and from time to time, without premium or penalty. Any partial prepayment of principal shall be applied in such order of maturity as selected by the City and shall be accompanied by written instructions as to which installment or installments that the prepayment is to be applied.

This Note does not pledge the credit or taxing power of the Commonwealth; nor shall this Note be deemed an obligation of the Commonwealth; nor shall the Commonwealth be liable for payment of the principal of or interest on this Note.

Deposit Account. The City agrees to deposit with the Bank on the date of delivery of this Note the amount of \$23,000,000. Such funds shall be deposited in a designated account for the City and the City shall maintain investments in such account in an amount equal to at least 75% of the outstanding principal amount of this Note. Failure by the City to continually maintain the required deposit amount and to not replenish such funds to the required level within 90 days of such funds falling below the required level shall constitute an Event of Default under this Note. The investments permitted in such account shall be limited to those authorized under law for funds of the City and the investment of such funds shall be directed in writing by the proper officers of the City.

Reporting. The City agrees to provide to the Bank, (i) not later than 9 months after the end of each fiscal year of the City, audited annual financial statements of the City and statement of debt and compliance with statutory debt limits to the extent included in such audited annual financial statements, (ii) within 60 days of the beginning of each calendar year of the City, the most recent tax roll data that shows the assessed value of real property within the City, (iii) not later than the last day of each calendar year, the annual proposed budget for the succeeding calendar year and the final annual budget approved by the Council of the City, (iv)

not later than 30 days after the end of each fiscal quarter of the City, and at such other times as may be requested by the Bank, a compliance certificate signed by the Business Administrator of the City or other proper officer of the City acceptable to the Bank certifying that the representations and warranties set forth in this Note, the Proposal, or the Ordinance or in any other writing delivered to Bank in connection with this Note are true and correct as of the date of the certificate and that, as of the date of the certificate, no Event of Default exists or would exist with the passage of time or the giving of notice under this Note, the Proposal, or the Ordinance or any other writing delivered to Bank in connection with this Note, and (v) any other financial information or operating reports as reasonably requested by the Bank.

Events of Default. Any of the following events shall constitute an "Event of Default" under this Note:

(a) the nonpayment within three (3) Business Days of when due of any amount payable under this Note or of any amount owed to the Bank with regard to this Note when due, or the failure of the City to observe or perform, after thirty (30) days written notice, any agreement of any nature whatsoever with the Bank, including but not limited to, those contained in the documents executed in connection with the issuance of this Note; provided that such thirty (30) day notice period shall not apply to events which, in the Bank's reasonable judgment, are not capable of being cured within thirty (30) days and the notice so provides but in no event more than ninety (90) days;

(b) if the City becomes insolvent or makes an assignment for the benefit of creditors, or if any petition is filed against the City under any provision of any state or federal law or statute alleging that the City is insolvent or unable to pay its debts as they mature or under any provision of the Federal Bankruptcy Code, and the failure to cause the same to be discharged within ninety (90) days, or the City voluntarily files any petition for such purpose;

(c) the entry of any judgment in excess of \$500,000 against the City or any of the property of the City which remains unsatisfied for forty five (45) days;

(d) the failure of the City to furnish timely to the Bank such financial and other information as the Bank may reasonably request or require;

(e) any representation or warranty contained in this Note, in the Ordinance, or in any other writing delivered to the Bank in connection with this Note is breached or appears to be materially incorrect or untrue;

(f) any breach of any covenant contained in, or any failure to perform or comply with, or any violation of, any provision of, this Note, the Proposal, or the Ordinance or in any other writing delivered to Bank in connection with this Note; or

(g) the City defaults in the payment of any amounts due under any other bond, note, contract, lease or obligation.

Remedies.



(a) At any time after occurrence of an Event of Default, the Bank may, at the Bank's option and sole discretion and without notice or demand, exercise any right or remedy as may be provided in this Note, the Ordinance, any other writing delivered with this Note or which is provided at law or in equity.

(b) The interest rate on the unpaid principal balance of this Note shall accrue at the Default Rate from the date on which an Event of Default occurs until the date on which all defaults are cured or the entire unpaid principal balance and all other sums due under this Note are actually received by the Bank.

Set-Off. After the occurrence and during the continuance of an Event of Default, the City hereby irrevocably authorizes and directs the Bank from time to time to charge the City's accounts and deposits with the Bank and to pay over to the Bank an amount equal to any amounts from time to time due and payable to the Bank hereunder.

In any action under this Note, the Bank may recover all reasonable costs of suit and other expenses in connection with the action, including the cost of any attorneys' fees, paid or incurred by the Bank.

The rights and remedies provided to the Bank in this Note and in the Ordinance, including all warrants of attorney, (a) are not exclusive and are in addition to any other rights and remedies that the Bank may have at law or in equity, (b) shall be cumulative and concurrent, (c) may be pursued singly, successively or together against the City, and/or any of the security at the sole discretion of the Bank, and (d) may be exercised as often as occasion therefor shall arise. The failure to exercise or delay in exercising any such right or remedy shall not be construed as a waiver or release thereof.

The Bank shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Bank. Such a written waiver signed by the Bank shall waive the Bank's rights and remedies only to the extent specifically stated in such written waiver. A waiver as to one or more particular events or defaults shall not be construed as continuing or as a bar to or waiver of any right or remedy as to another or subsequent event or default.

The Purchaser shall have the right to exercise the remedies set forth in the Act. Any failure by the Purchaser to exercise any right or privilege hereunder shall not be construed as a waiver of the right or privilege to exercise such right or privilege, or to exercise any other right or privilege, at any other time, and from time to time, thereafter.

No recourse shall be had for the payment of the principal of or interest on this Note, or for any claim based hereon or on the Ordinance, against any member, officer or employee, past, present, or future, of the City or of any successor body, as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Note.

It is hereby certified that the approval of the Department of Community and Economic Development of the Commonwealth for the City to issue and deliver this Note has been duly given pursuant to the Act; that all acts, conditions and things required by the laws of the Commonwealth to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Note or in the creation of the debt of which this Note is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Note, together with all other indebtedness of the City are within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth; that the City has established with the Paying Agent, as sinking fund depository, a sinking fund for this Note and shall deposit therein amounts sufficient to pay the principal of and interest on this Note as the same shall become due and payable; and that for the prompt and full payment of all obligations of this Note, the full faith, credit and taxing power of the City are hereby irrevocably pledged.

The City hereby acknowledges and agrees that the Purchaser reserves the absolute right to assign all or any of its interest in this Note or to participate with other lenders in this Note on such terms and at such times as the Purchaser may determine from time to time, all without any consent thereto or notice thereof by or to the City. The Purchaser may disclose all financial, business and other information about the City which the Purchaser may possess at any time to all prospective and actual assignees and participants.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, the City of Scranton, Lackawanna County, Pennsylvania, has caused this Note to be signed in its name and on its behalf by the signatures of the Mayor and Controller of the City and its corporate seal to be hereunder affixed, duly attested by the signature of the City Clerk of the City, as of the \_\_\_\_\_ day of December, 2018.

CITY OF SCRANTON  
Lackawanna County, Pennsylvania

(SEAL)

By: \_\_\_\_\_  
Mayor

By: \_\_\_\_\_  
Controller

Attest: \_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Solicitor

Exhibit A to Note

Proposal



**The City of Scranton, Pennsylvania**  
**Summary of Terms & Conditions<sup>1</sup>**  
**\$22,990,000 General Obligation Loan (Taxable)**  
**(The "Loan/Obligations")**

The terms and conditions contained herein are subject to satisfactory completion of due diligence, internal credit approval and such other conditions as may be required by Webster Bank, N.A. and the Webster Public Finance Corporation in its sole discretion. This term sheet is confidential and is not to be relied upon by third parties. Webster Bank, N.A. and the Webster Public Finance Corporation are not registered municipal advisors and cannot provide advice in connection with municipal financial products.

Date:	October 22, 2018
Borrower:	The City of Scranton, Pennsylvania (the "Borrower")
Purchaser:	Webster Bank, N.A. ("Webster", "Lender" or "Purchaser").
Paying Agent:	Community Bank.
Par Amount:	Up to \$22,990,000
Closing:	Settlement will occur on or around December 17, 2018.
Final Maturity:	Scheduled for December 1, 2023.
Purpose:	Proceeds from the Loan will be used to partially fund the Borrower's pension plans.
Tax Status:	The Obligations will not be exempt from Federal and State Income Tax.
Bank Qualification:	The Obligations will not be designated Bank Qualified under IRS Section 265(b)(3) as amended.
Amortization:	The Loan will have an interest only period for one year followed by a four year, amortization period. Interest will be due semiannually on June 1 and December 1, commencing June 1, 2019. Level principal payments will be due annually on December 1 commencing December 1, 2020.
Security:	The Loan will be secured by the General Obligation Pledge of the Borrower and the full faith and credit of the Borrower are pledged to the payment of the principal of and the interest thereon. The Loan will be a valid and binding General Obligation of the Borrower. Unless paid from other sources, the Borrower is authorized and required by law to levy ad valorem taxes without limit as to rate or amount necessary on all taxable property for the payment of the principal of and interest on the Loan.

<sup>1</sup> For discussion purposes only. Does not constitute an offer or agreement to lend.

Legal Opinion: A Legal Opinion will be provided documenting (i) the validity of the Obligations and (ii) that the Obligations will be legally binding general obligations of the Borrower payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Borrower without limitation as to rate or amount.

Private Placement: The Obligations are being offered pursuant to private placement. No offering document constituting an "official statement" will be prepared, and the Obligations will be in minimum authorized denominations of \$100,000. The Lender will deliver a certificate to the Borrower and Bond Counsel at Settlement to the effect that the Lender agrees to purchase the Obligations without an official statement and will not reoffer the Obligations for sale or sell the Obligations to more than thirty-five persons each of whom the Borrower reasonably believes: (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment; and (ii) is not purchasing for more than one account or with a view to distributing the Obligations, and shall agree on the foregoing limitations within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended.

Rating & Disclosure: The Obligations will not be rated and no offering document constituting an "official statement" will be prepared.

Interest Rate: Based upon current market conditions, Webster will provide the Borrower with a variable rate based upon the following:

$$4.486\% = 1 \text{ Month LIBOR} + 220 \text{ bps.}$$

This rate is preliminary and subject to change based upon but not limited to, market conditions, due diligence and final structure.

At no time will the interest rate exceed 9.00%.

Should LIBOR be discontinued or does not reflect the cost of funds for the Lender or for any other reason shall not be available for determining LIBOR, then the Lender shall select a substitute method of determining LIBOR and shall notify the Borrower of such selection, which method shall, in the Lender's estimation, yield a rate of return to the Lender substantially equivalent to the rate of return that the Lender would have expected to receive if LIBOR still had been available.

Other Fees: The Lender will charge no fees for this loan; however the Borrower is responsible for any issuer expenses incurred including, but not limited to bond counsel, Webster's Counsel, verification agent and municipal advisor. Webster intends to use McCarter & English, LLP as Bank Counsel, at a cost to the Borrower not to exceed \$10,000.

Jacqueline Shanes, Partner  
McCarter & English, LLP  
100 Mulberry St.  
Four Gateway Center  
Newark, NJ 07102  
973-639-7955  
jshanes@mccarter.com

Sean Duane, Associate  
McCarter & English, LLP  
100 Mulberry St.  
Four Gateway Center  
Newark, NJ 07102  
973-639-8499  
sduane@mccarter.com

Covenants: Usual and customary for transactions of this type, including, without limitation, the following: (i) payment of obligations; (ii) compliance with laws; (iii)

maintenance of books and records; (iv) use of proceeds; and (v) such other customary covenants for a transaction of this type. Webster requires that the Borrower submit the following information to the Webster annually:

1. Audited annual financial statements of the Borrower, delivered to the Lender within nine months of the close of the Borrower's fiscal year.
2. Most recent tax roll data that shows the assessed value of the Borrower.
3. Statement of Debt and compliance with statutory debt limits to the extent included in audited annual financial statements of the Borrower.
4. Proposed and approved budgets of the Borrower.

Any other information as Webster may reasonably request.

**Deposit and Set Off:**

The Borrower will deposit at closing \$23 million and covenant to maintain with Webster, in a designated account permitted investments equal to at least 75% of the outstanding balance of the Loan. Failure ("Failure") to continually maintain the required deposit will constitute an event of default under the loan documents. In the event of such Failure, the City shall have 90 days from the date of such Failure to remedy the Failure.

**Compliance Certificates:**

At the end of every calendar quarter, and at such other times as may be requested by Webster, Borrower shall provide Webster with a compliance certificate signed by Borrower's chief financial officer or some other officer or person acceptable to Webster. The compliance certificate shall certify that the representations and warranties set forth in the loan documents are true and correct as of the date of the certificate and that, as of the date of the certificate, no event of default exists or would exist with the passage of time or the giving of notice under the loan documents.

**Conditions Precedent:**

The Closing will be conditioned upon: (i) the negotiation, execution and delivery of definitive documentation in form and substance satisfactory to the Purchaser, (ii) delivery to the Purchaser in form and substance satisfactory to the Purchaser of a standard approving opinion of bond counsel regarding validity and legality of, and security for the Loan, an opinion of Borrower's counsel in customary form, and closing certificates of officials of the Borrower as to the issuance of the Loan, (iii) receipt of satisfactory financial information, budgets, projections, etc. as requested by the Purchaser, and (iv) such other conditions precedent as are customary for a financing of the type contemplated.

**Representations and Warranties:**

Usual and customary for transactions of this type including, without limitation, the following: (i) legal existence, qualification and power; (ii) due authorization and no contravention of law, contracts or organizational documents; (iii) governmental and third party approvals and consents; (iv) enforceability; (v) accuracy and completeness of specified financial information; (vi) no material litigation; (vii) no default; (viii) compliance with laws; (ix) no bankruptcy or insolvency proceedings; and (x) such other representations and warranties as are customary for a transaction of this type.

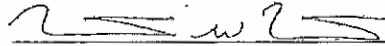
**Expiration:**

This term sheet will expire November 14, 2018.

IN WITNESS WHEREOF, and acknowledging acceptance and agreement of the foregoing, the Lender and the Borrower affix their signatures hereto on this 22 day of October 2018.

WEBSTER BANK, N.A.

By:



Name:

Matthew Mitchell

Title:

Assistant Vice President

THE CITY OF SCRANTON, PENNSYLVANIA

By:

\_\_\_\_\_

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_



Exhibit B to Note

Maximum Amortization Schedule

CITY OF SCRANTON					
TAXABLE SERIES OF 2018					
MAXIMUM PARAMETERS				Settle	12/17/2018
				Dated	12/17/2018

1	2	3	4	5	6
					Proposed
<u>Date</u>	<u>Principal</u>	<u>Max</u> <u>Rate*</u>	<u>Interest</u>	<u>Semi-Annual</u> <u>Debt Service</u>	<u>Fiscal Year</u> <u>Debt Service</u>
6/1/2019		9.00	942,590.00	942,590.00	
12/1/2019		9.00	1,034,550.00	1,034,550.00	1,977,140.00
6/1/2020		9.00	1,034,550.00	1,034,550.00	
12/1/2020	5,295,000	9.00	1,034,550.00	6,329,550.00	7,364,100.00
6/1/2021		9.00	796,275.00	796,275.00	
12/1/2021	5,585,000	9.00	796,275.00	6,381,275.00	7,177,550.00
6/1/2022		9.00	544,950.00	544,950.00	
12/1/2022	5,895,000	9.00	544,950.00	6,439,950.00	6,984,900.00
6/1/2023		9.00	279,675.00	279,675.00	
12/1/2023	6,215,000	9.00	279,675.00	6,494,675.00	6,774,350.00
TOTALS	22,990,000		7,288,040.00	30,278,040.00	30,278,040.00

EXHIBIT C TO ORDINANCE

Proposal

**The City of Scranton, Pennsylvania**  
**Summary of Terms & Conditions<sup>1</sup>**  
**\$22,990,000 General Obligation Loan (Taxable)**  
**(The "Loan/Obligations")**

The terms and conditions contained herein are subject to satisfactory completion of due diligence, internal credit approval and such other conditions as may be required by Webster Bank, N.A. and the Webster Public Finance Corporation in its sole discretion. This term sheet is confidential and is not to be relied upon by third parties. Webster Bank, N.A. and the Webster Public Finance Corporation are not registered municipal advisors and cannot provide advice in connection with municipal financial products.

Date:	October 22, 2018
Borrower:	The City of Scranton, Pennsylvania (the "Borrower")
Purchaser:	Webster Bank, N.A. ("Webster", "Lender" or "Purchaser").
Paying Agent:	Community Bank.
Par Amount:	Up to \$22,990,000
Closing:	Settlement will occur on or around December 17, 2018.
Final Maturity:	Scheduled for December 1, 2023.
Purpose:	Proceeds from the Loan will be used to partially fund the Borrower's pension plans.
Tax Status:	The Obligations will not be exempt from Federal and State Income Tax.
Bank Qualification:	The Obligations will not be designated Bank Qualified under IRS Section 265(b)(3) as amended.
Amortization:	The Loan will have an interest only period for one year followed by a four year, amortization period. Interest will be due semiannually on June 1 and December 1, commencing June 1, 2019. Level principal payments will be due annually on December 1 commencing December 1, 2020.
Security:	The Loan will be secured by the General Obligation Pledge of the Borrower and the full faith and credit of the Borrower are pledged to the payment of the principal of and the interest thereon. The Loan will be a valid and binding General Obligation of the Borrower. Unless paid from other sources, the Borrower is authorized and required by law to levy ad valorem taxes without limit as to rate or amount necessary on all taxable property for the payment of the principal of and interest on the Loan.

<sup>1</sup> For discussion purposes only. Does not constitute an offer or agreement to lend.

Legal Opinion:

A Legal Opinion will be provided documenting (i) the validity of the Obligations and (ii) that the Obligations will be legally binding general obligations of the Borrower payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Borrower without limitation as to rate or amount.

Private Placement:

The Obligations are being offered pursuant to private placement. No offering document constituting an "official statement" will be prepared, and the Obligations will be in minimum authorized denominations of \$100,000. The Lender will deliver a certificate to the Borrower and Bond Counsel at Settlement to the effect that the Lender agrees to purchase the Obligations without an official statement and will not reoffer the Obligations for sale or sell the Obligations to more than thirty-five persons each of whom the Borrower reasonably believes: (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment; and (ii) is not purchasing for more than one account or with a view to distributing the Obligations, and shall agree on the foregoing limitations within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended.

Rating & Disclosure:

The Obligations will not be rated and no offering document constituting an "official statement" will be prepared.

Interest Rate:

Based upon current market conditions, Webster will provide the Borrower with a variable rate based upon the following:

$$4.486\% = 1 \text{ Month LIBOR} + 220 \text{ bps.}$$

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Other Fees

The Lender will charge no fees for this loan; however the Borrower is responsible for any issuer expenses incurred including, but not limited to bond counsel, Webster's Counsel, verification agent and municipal advisor. Webster intends to use McCarter & English, LLP as Bank Counsel, at a cost to the Borrower not to exceed \$10,000.

Jacqueline Shanes, Partner  
McCarter & English, LLP  
100 Mulberry St.  
Four Gateway Center  
Newark, NJ 07102  
973-639-7955  
jshanes@mccarter.com

Sean Duane, Associate  
McCarter & English, LLP  
100 Mulberry St.  
Four Gateway Center  
Newark, NJ 07102  
973-639-8499  
sduane@mccarter.com

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**Deposit and Set Off:**

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**Compliance Certificates:**

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**Expiration:**

This term sheet will expire November 14, 2018.

IN WITNESS WHEREOF, and acknowledging acceptance and agreement of the foregoing, the Lender and the Borrower affix their signatures hereto on this 22 day of October 2018.

WEBSTER BANK, N.A.

By:



Name:

Matthew Mitchell

Title:

Assistant Vice President

THE CITY OF SCRANTON, PENNSYLVANIA

By:

\_\_\_\_\_

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_



DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

RECEIVED  
OCT 23 2018

OFFICE OF CITY  
COUNCIL/CITY CLERK

October 23, 2018

To the Honorable Council  
Of the City of Scranton  
Municipal Building  
Scranton, PA 18503

Dear Honorable Council Members:

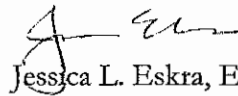
ATTACHED IS AN ORDINANCE OF THE COUNCIL OF THE CITY OF SCRANTON, LACKAWANNA COUNTY, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE ITS FEDERALLY TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2018 (THE "NOTE") IN A PRINCIPAL AMOUNT NOT TO EXCEED TWENTY-TWO MILLION NINE HUNDRED NINETY THOUSAND DOLLARS (\$22,990,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, 53 PA.C.S. CHAPTERS 80-82, AS AMENDED, REENACTED AND SUPPLEMENTED, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE "ACT"); FINDING THAT A PRIVATE SALE BY NEGOTIATION IS IN THE BEST FINANCIAL INTERESTS OF THE CITY; DETERMINING THAT SUCH NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE CITY; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS TO FINANCE A PROJECT OF THE CITY WHICH CONSISTS OF, AMONG OTHER THINGS: (1) FUNDING ALL OR A PORTION OF THE CITY'S UNFUNDED ACTUARIAL ACCRUED PENSION LIABILITY; AND (2) PAYING THE COSTS AND EXPENSES OF ISSUANCE OF THE NOTE; SETTING FORTH THE REASONABLE ESTIMATED USEFUL LIFE OF THE PROJECT TO BE FINANCED BY THE NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE CITY; FIXING THE DENOMINATION, DATED DATE, INTEREST PAYMENT DATES, INTEREST RATE, REDEMPTION PROVISIONS AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE CITY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH NOTE TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND



TAXING POWER OF THE CITY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH NOTE, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT FOR SUCH NOTE WHEN DUE; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH NOTE; AUTHORIZING THE EXECUTION OF ONE OR MORE INVESTMENT AGREEMENTS BY SPECIFIED OFFICERS OF THE CITY (IF APPLICABLE) AND THE PURCHASE OF CERTAIN U.S. TREASURY OBLIGATIONS OR ANY OTHER SECURITIES OR INVESTMENTS IN CONNECTION WITH THE PROJECT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE CITY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE DEBT TO BE EVIDENCED BY SUCH NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE CITY, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE CITY TO DELIVER THE NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT HERewith.

I AM REQUESTING THAT COUNCIL SUSPEND ITS RULES AND CONSIDER THE FINAL READING OF THIS ORDINANCE IN TWO (2) WEEKS WITH THE VOTE OCCURING ON NOVEMBER 5<sup>TH</sup> AS THIS IS A TIME SENSITIVE TRANSACTION AND VETERANS DAY ON MONDAY, NOVEMBER 12<sup>TH</sup>.

Respectfully,

  
Jessica L. Eskra, Esquire  
City Solicitor

JLE/sl

FILE OF THE COUNCIL NO. \_\_\_\_, 2018

AN ORDINANCE

AUTHORIZING THE ISSUANCE OF A TAX AND REVENUE ANTICIPATION NOTE, SERIES OF 2019 IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$12,750,000; PROVIDING FOR THE DATED DATE, INTEREST RATE, MATURITY DATE, REDEMPTION PROVISIONS, PAYMENT AND PLACE OF PAYMENT IN RESPECT OF THE NOTE; ACCEPTING THE PROPOSAL ATTACHED HERETO AS EXHIBIT "B" FROM THE FINANCIAL INSTITUTION NAMED THEREIN FOR THE PURCHASE OF THE NOTE; NAMING A SINKING FUND DEPOSITARY/PAYING AGENT; AUTHORIZING THE PROPER OFFICERS OF THE CITY TO EXECUTE AND DELIVER THE NOTE AND CERTAIN OTHER DOCUMENTS AND CERTIFICATES IN CONNECTION THEREWITH; AUTHORIZING AND DIRECTING THE PREPARATION, CERTIFICATION AND FILING OF THE NECESSARY DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT OF THE COMMONWEALTH OF PENNSYLVANIA; SETTING FORTH A FORM OF THE NOTE.

WHEREAS, the City of Scranton, Lackawanna County, Pennsylvania (the "City"), is a home rule charter city operating under the Home Rule Charter and Optional Plans Law of the Commonwealth of Pennsylvania (the "Commonwealth"); and

WHEREAS, the City anticipates receiving taxes and other revenues during the fiscal year ending December 31, 2019, which taxes and other revenues are currently uncollected; and

WHEREAS, the City has estimated, on a monthly basis, its expected taxes, revenues and expenditures for the fiscal year ending December 31, 2019, and has determined that during a portion of such fiscal year it will experience a "cumulative cash flow deficit" as such phrase is defined in the regulations promulgated under Sections 103 and 148 of the Internal Revenue Code of 1986, as amended (the "Code"); and

WHEREAS, the City has determined to borrow monies for the purpose of funding, in part, such cumulative cash flow deficit by issuing a note to be repaid from the anticipated taxes and revenues, all in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, Act 53 Pa.C.S., Chapters 80-82, as reenacted and amended (the "Debt Act"); and

WHEREAS, the City has received an acceptable proposal for the purchase of its Tax and Revenue Anticipation Note as hereinafter described; and

WHEREAS, as required by Section 8126 of the Debt Act, officials of the City have heretofore made an estimate of the taxes and revenues to be received during such fiscal year ending December 31, 2019 and, by their execution of a certificate with respect thereto dated this date, have certified to such estimate.

NOW, THEREFORE, BE IT ORDAINED by the Council (the "Council") of the City of Scranton, Lackawanna County, Pennsylvania, as follows:

Section 1. For the reasons and purposes recited above, the City hereby exercises its power and authority to borrow money and authorizes the issuance and sale of its Tax and Revenue Anticipation Note, Series of 2019, in the principal amount not to exceed \$12,750,000 (the "Note") in anticipation of the receipt of current taxes and revenues during the fiscal year ending December 31, 2019, such Note to be issued, sold and delivered as hereinafter provided.

Section 2. The Mayor, the Controller and the City Clerk of the City, or any duly appointed successor to any thereof, as the case may be, are hereby authorized and directed, in the name and on behalf of the City, to prepare and file with the Department of Community and Economic Development of the Commonwealth of Pennsylvania a certified copy of this Ordinance, a certificate setting forth the taxes and revenues remaining to be collected in the fiscal year endi

December 31, 2019 and a true copy of the accepted Proposal (hereinafter defined) for the purchase of the Note, all as set forth in and required by Section 8128 of the Debt Act. The Mayor, the Controller and the City Clerk of the City are also hereby authorized and directed, in the name and on behalf of the City, to prepare and verify a certificate, in accordance with Sections 103 and 148 of the Code and the regulations applicable thereto, setting forth the anticipated use of the proceeds, to prepare and deliver to the Purchaser (hereinafter defined) of the Note the certificate required by Section 8127 of the Debt Act relating to the total amount of the City's tax and revenue anticipation notes outstanding on the date of delivery of the Note, and to take any and all other action, and to execute and deliver any and all other documents and instruments, as may be necessary, proper or desirable to effect the issuance and sale of the Note as contemplated herein. The certification made on the date of enactment of this Ordinance by the aforementioned officials of the City, relating to the amount of taxes and other revenues remaining to be collected by the City in the fiscal year ending December 31, 2019, is hereby ratified and approved.

Section 3. The Note shall be designated "City of Scranton, Lackawanna County, Pennsylvania, Tax and Revenue Anticipation Note, Series of 2019," or such other name or designation as shall be selected by the Mayor of the City upon delivery of the definitive Note in accordance with this Ordinance, shall be in registered form, without coupons, shall be dated the date of issuance, and shall be in such denominations, shall be subject to such redemption, and shall bear interest from the date of delivery until maturity at the rate of interest all as set forth in the Proposal, shall mature on or before December 31, 2019 as set forth in the Proposal, and shall be payable as to principal and interest at the place and in the manner and be otherwise in substantially the form set forth in the form of Note attached as Exhibit "A" hereto and the Proposal attached as Exhibit "B" hereto.

Section 4. The Note shall be executed in the name and on behalf of the City by the true or facsimile signatures of the Mayor and Controller of the City, or, if applicable, their duly qualified respective successors, and the true or facsimile official seal of the City shall be affixed thereunto, duly attested by the true or facsimile signature of the City Clerk of the City. Said officers are authorized and directed to execute and attest the Note. The execution and delivery of the Note in accordance with Section 3 hereof and this Section 4 shall constitute conclusive proof of the approval of the final terms and provisions of the Note by the City.

Section 5. The Note shall be general credit obligations of the City, and, together with any other tax and revenue anticipation notes issued, or to be issued, by the City during the City's fiscal year ending on December 31, 2019, shall, upon issuance thereof, be equally and ratably secured by a pledge of, security interest in, and a lien and charge on, the taxes and other revenues to be received by the City during the period when the Note is outstanding; and the Mayor and Controller of the City, attested by the City Clerk, are hereby authorized and directed to prepare and file, or to have filed, such financing statements as may be necessary to fully perfect such pledge, security interest, lien and charge pursuant to the Pennsylvania Uniform Commercial Code and Section 8125 of the Debt Act. The City covenants and agrees that any additional tax and revenue anticipation notes issued by the City after the date of issuance of the Note and while the Note is still outstanding shall mature on a date after the final maturity date of the Note.

Section 6. The City covenants that it will make no use of the proceeds of such issue or do or suffer any other action which, if such use or action had been reasonably expected on the date of issue of the Note, would cause the Note to be an "arbitrage bond" or "private activity bond" as those terms are defined in Section 148 and Section 141 of the Code and the applicable regulations thereunder. The City further covenants that it will comply with the requirements of such Section 148 and Section 141 and with the regulations thereunder throughout the term of the Note. In addition, the Mayor and Controller of the City, being the officials responsible for issuing the Note, attested by the City Clerk of the City, are hereby authorized and directed to execute and deliver, in the name and on behalf of the City, any and all documents or other instruments which Bond Counsel may reasonably request in connection with the providing of its opinion that the Note is not an "arbitrage bond" or "private activity bond" within the meanings of Section 148 and Section 141 of the Code and the regulations promulgated thereunder, including, without limitation, a certificate dated the date of issuance and delivery of the Note, which certificate shall set forth the reasonable expectations of the City as to the amount and use of the proceeds of the Note.

Section 7. The proposal of the lender identified therein, presented to the Council is attached hereto as Exhibit "B", or such other proposal and lender, and with such other terms and provisions, as may be selected by the Mayor of the City (such proposal selected in accordance with this Section 7 being hereinafter referred to as the "Proposal" and such lender selected in accordance with this Section 7 being hereinafter referred to as the "Purchaser"), is hereby accepted and the Note is hereby awarded to the Purchaser at a private sale for the purchase price of 100% of the par amount of the Note issued. The terms of the Proposal are incorporated herein by reference with the same effect as if set forth in full at this place. The Mayor and Controller, attested by the City Clerk, are hereby authorized and directed to, accept the Proposal, in the name of and on behalf of the City, by executing the City's acceptance on an original copy of the Proposal, to deliver a copy of the same to the Purchaser and to file the original with the records of the City. The Mayor and Controller are hereby authorized to deliver the Note to the Purchaser upon receipt of the full principal amount of the purchase price for the Note and upon compliance with all conditions precedent to such delivery as required by the Debt Act, this Ordinance and the Proposal; and the Mayor and Controller, attested by the City Clerk, is hereby authorized and directed to prepare, verify and deliver to the Purchaser concurrently with the delivery of the Note, the certificate required by Section 8127 of the Debt Act, a copy of which certificate shall be retained with the records of the City until all tax and revenue anticipation notes issued by the City during the fiscal year ending on December 31, 2019, shall have been paid in full.

Section 8. The Note shall be in substantially the form set forth in Exhibit "A" hereto. The form of the Note as submitted to the City are hereby approved in substantially such form, with such changes, insertions and variations as are necessary or appropriate to reflect the final terms, including, but not limited to, series designation, interest rates, principal amounts, denominations, registered owner, the name or designation and redemption provisions, of the Note as specified to the City in the delivery instructions of the Purchaser and such other changes as the Mayor of the City may approve upon advice of the Solicitor to the City, such approval to be evidenced by such officer's execution and delivery of the Note.

Section 9. The Mayor and Controller of the City is hereby authorized, empowered and directed to contract with Community Bank, N.A., Scranton, Pennsylvania, as paying agent, or such other paying agent, which shall be a bank or bank and trust company authorized to do business in the Commonwealth, as may be selected by the Mayor of the City upon delivery of the Note in accordance with this Ordinance (any such paying agent selected in accordance with this Section 9 being hereinafter referred to as the "Paying Agent"), for its services as paying agent and sinking fund depository in accordance with the terms and conditions of the Proposal, this Ordinance and the Act. Payment of the principal of and interest on the Note shall be made, when due, in accordance with the provisions of the Note, at the corporate trust office of the Paying Agent in lawful money of the United States of America. The Controller or other proper officer is hereby authorized and directed to make deposits to the sinking fund to be held for the payment of principal and interest on the Note as set forth in the Note and the Proposal.

Thereafter, the Paying Agent shall, without further authorization or direction from the City or any of its officials, withdraw moneys from the sinking fund and apply such moneys to the payment of principal and interest then due on the Note.

Section 10. Stevens & Lee, P.C., Scranton, Pennsylvania, is hereby appointed Bond Counsel in connection with the issuance and sale of the Note, PFM Financial Advisors LLC to act as Financial Advisor to the City, Amil Minora, Esquire, counsel to City Council, and Jessica Eskra, Esquire, City Solicitor, and any other professionals, as necessary or appropriate, in connection with the purposes of and to facilitate the intent of this Ordinance as the Mayor of the City may appoint.

Section 11. All expenses incurred in connection with issuance of the Note shall be paid out of the proceeds derived from the issuance of the Note or from other available funds of the City and the Mayor of the City is authorized to approve requests for payment of such expenses and to pay or direct the payment of such expenses.

Section 12. The Mayor, Controller and City Clerk of the City and all other proper officers of the City are hereby authorized, jointly and severally, to do any and all other things

necessary to effectuate the issuance, execution, delivery and sale of the Note, including the execution and delivery of any and all additional documents, representations, declarations, depositary agreements, debt service agreements, control agreements, deposit account control agreements, loan agreements, reimbursement agreements, security agreements, promissory notes, intercreditor agreements, derivative and/or interest rate management agreements, escrow agreements, assignments, financing statements, certificates, authorizations, contracts, agreements, insurance binders and other papers as may be necessary to effectuate any of the foregoing, and such execution and delivery shall be conclusive evidence of the authorization and approval thereof by the City.

Section 13. If any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid or unconstitutional by any court of competent jurisdiction, such decision shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of the City that the remainder of this Ordinance shall remain in full force and effect. The City reserves the right to amend this Ordinance or any portion hereof from time to time as it shall deem advisable in the best interest of the promotion of the purposes and intent of this Ordinance, and the effective administration hereof.

Section 14. This Ordinance shall become effective immediately upon approval.

Section 15. All ordinances or parts of ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly hereby are repealed.

Section 16. This Ordinance is enacted by the Council of the City under the authority of the Act of the Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law," and any other applicable law arising under the laws of the Commonwealth.

EXHIBIT "A" TO ORDINANCE

[Form of Note]

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CITY OF SCRANTON, LACKAWANNA COUNTY, PENNSYLVANIA  
TAX AND REVENUE ANTICIPATION NOTE, SERIES OF 2019

KNOW ALL MEN BY THESE PRESENTS, that the City of Scranton, Lackawanna County, Pennsylvania (the "City"), a city existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"), for value received, hereby promises to pay to the order of Manufacturers and Traders Trust Company (the "Bank" or "Purchaser"), the sum of Twelve Million Seven Hundred Fifty Thousand Dollars (\$12,750,000) on the 31st day of December, 2019, together with interest on said sum from the 2<sup>nd</sup> day of January, 2019 until maturity at the rate of three and sixty-five hundredths percent (3.650%) per annum, computed on the basis of a 360-day year of twelve 30 day months. Interest on the Note is payable at maturity, or if redeemed prior to maturity, on the date of redemption. Both the principal of and interest on this Note shall be payable in such coin or currency as at the place and at the time of payment shall be legal tender for the payment of public and private debts in the United States (or by instrument payable in immediately available legal tender as aforesaid), upon presentation and surrender hereof at the principal office of Community Bank, N.A. (the "Paying Agent") in Scranton, Pennsylvania.

Whenever the due date for payment of interest on or principal of the Note or the date fixed for redemption of any Note shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to remain closed, then payment of such interest, principal, or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday or a day upon which banks are authorized by law or executive order to remain closed, with the same force and effect as if made on the due date for payment of principal, interest or redemption price and no interest shall accrue thereon for any period after such due date.

This Tax and Revenue Anticipation Note, Series of 2019, authorized and issued in the aggregate principal amount of Twelve Million Seven Hundred Fifty Thousand Dollars (\$12,750,000) (the "Note") in accordance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Act"), and pursuant to an Ordinance enacted on November 19, 2018 by the Council of the City (the "Ordinance"). Reference is made to the Act and the Ordinance for a complete statement of the rights and limitations of rights of the holder of the Note, to all of which the holder hereof by acceptance of this Note assents. The terms and provisions of the Ordinance are hereby incorporated by reference as if set forth fully herein.

Upon any taxing authority's final decree or judgment that: (i) this Note is an arbitrage bond; or (ii) the interest on this Note is not excluded from gross income of the Bank for

purposes of federal income taxation, the interest rate on this Note shall be reset to the Bank's taxable equivalent rate (the "Taxable Rate") as determined by the Bank, effective as of the date of the taxing authority's final decree or judgment. The City shall pay the Bank the difference between (i) the interest that would have been paid on this Note had the interest been set at the Taxable Rate as of the date of the taxing authority's final decree or judgment; and (ii) the interest actually paid under this Note. In addition, the City shall pay all taxes, interest, and penalties assessed to the Bank by any taxing authority with respect to this Note's tax status.

The Authority shall pay to the Bank a late charge for any payment of principal and/or interest not received by the Bank within fifteen (15) days of the due date in an amount equal to five percent (5.00%) of the amount of the delinquent installment of principal and/or interest or \$10.00, whichever is greater. The delinquency charge shall be paid promptly but only once for each delinquent payment.

Upon the occurrence of an Event of Default (as described herein), the City shall pay interest on the unpaid principal balance of this Note at the Default Rate.

For purposes hereof, the following terms shall have the following meanings:

"Default" means any Event of Default, and any event which with the passage of time or notice, or both, would become an Event of Default.

"Default Rate" means a rate per annum equal to the interest rate as then in effect on this Note plus 5.00%.

"Event of Default" shall have the meaning set forth herein under the heading "Events of Default".

This Note is issued under and in accordance with the Act, for the purpose of providing funds for current expenses payable in the current fiscal year in anticipation of the receipt of taxes and other revenues by the City from the date of original delivery of the Note to the stated maturity date thereof.

The City has pledged and granted (equally and ratably with all other tax and revenue anticipation notes issued by the City for the City's 2019 fiscal year) to the Paying Agent, for the benefit of the holder of the Note, a lien on, and security interest in, its taxes and revenues to be received by the City during the period when this Note is outstanding in order to secure the payment of the principal indebtedness evidenced hereby and the interest hereon, all as more fully set forth in the Debt Service Agreement, dated the date hereof (the "Debt Service Agreement"), between the City and the Paying Agent, the Continuing General Security Agreement, dated the date hereof (the "Security Agreement"), between the City and the Paying Agent, and the Deposit Account Control Agreement, dated the date hereof (the "Control Agreement" and together with the Debt Service Agreement and the Security Agreement, the "Note Security Agreements"),

between the City and the Paying Agent. Such pledge, security interest, and lien are enforceable in the manner provided by the Act and the Note Security Agreements.

In the Ordinance, the City has covenanted that it will make no use of the proceeds of the Note, or do or suffer any other action, which, if such use or action had been reasonably expected on the date of issuance of the Note, would cause the Note to be an "arbitrage bond" or "private activity bond" as those terms are defined in Section 148 and Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder.

The City shall have the privilege, at any time, and from time to time, to prepay the unpaid principal balance of this Note, in whole or in part, without premium or penalty.

The City covenants that it will deposit in the sinking fund for the Note established by the Ordinance with the Paying Agent the taxes and other revenues collected in amounts which will be sufficient to pay the principal of and interest on all Note issued pursuant to the Ordinance as and when the same shall become due and payable, and such sinking fund shall be applied exclusively to such purpose.

The City agrees to provide to the Bank, (i) not later than 180 days after the end of each fiscal year of the City, financial statements of the City, and (ii) any other financial information or operating reports as reasonably requested by the Bank.

The City covenants and agrees with the Bank that it maintain a deposit relationship with the Bank during the term of this Note.

Events of Default. Any of the following events shall constitute an "Event of Default" under this Note:

(a) the nonpayment when due, after ten (10) days written notice or oral notice followed by written confirmation, of any amount payable under this Note or of any amount owed to the Bank with regard to this Note when due, or the failure of the City to observe or perform, after thirty (30) days written notice, any agreement of any nature whatsoever with the Bank, including but not limited to, those contained in the documents executed in connection with the issuance of this Note; provided that such thirty (30) day notice period shall not apply to events which, in the Bank's reasonable judgment, are not capable of being cured within thirty (30) days and the notice so provides;

(b) if the City becomes insolvent or makes an assignment for the benefit of creditors, or if any petition is filed against the City under any provision of any state or federal law or statute alleging that the City is insolvent or unable to pay its debts as they mature or under any provision of the Federal Bankruptcy Code, and the failure to cause the same to be discharged within ninety (90) days, or the City voluntarily files any petition for such purpose;



(c) the entry of any judgment in excess of \$500,000 against the City or any of the property of the City which remains unsatisfied for forty five (45) days;

(d) if any information or signature furnished to the Bank by the City at any time in connection with this Note is false or incorrect; or

(e) the failure of the City to furnish timely to the Bank such financial and other information as the Bank may reasonably request or require; and

(f) the City defaults in the payment of any amounts due under any other bond, note, contract, lease or obligation.

#### Remedies.

(a) At any time after occurrence of an Event of Default, the Bank may, at the Bank's option and sole discretion and without notice or demand, exercise any right or remedy as may be provided in this Note, the Ordinance, any other writing delivered with this Note or which is provided at law or in equity.

(b) The interest rate on the unpaid principal balance of this Note shall accrue at the Default Rate from the date on which an Event of Default occurs until the date on which all defaults are cured or the entire unpaid principal balance and all other sums due under this Note are actually received by the Bank.

In any action under this Note, the Bank may recover all reasonable costs of suit and other expenses in connection with the action, including the cost of any attorneys' fees, paid or incurred by the Bank.

The rights and remedies provided to the Bank in this Note and in the Ordinance, including all warrants of attorney, (a) are not exclusive and are in addition to any other rights and remedies that the Bank may have at law or in equity, (b) shall be cumulative and concurrent, (c) may be pursued singly, successively or together against the City, and/or any of the security at the sole discretion of the Bank, and (d) may be exercised as often as occasion therefor shall arise. The failure to exercise or delay in exercising any such right or remedy shall not be construed as a waiver or release thereof.

The Bank shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Bank. Such a written waiver signed by the Bank shall waive the Bank's rights and remedies only to the extent specifically stated in such written waiver. A waiver as to one or more particular events or defaults shall not be construed as continuing or as a bar to or waiver of any right or remedy as to another or subsequent event or default.

The Purchaser shall have the right to exercise the remedies set forth in the Act. Any failure by the Purchaser to exercise any right or privilege hereunder shall not be construed as a waiver of the right or privilege to exercise such right or privilege, or to exercise any other right or privilege, at any other time, and from time to time, thereafter.

No recourse shall be had for the payment of the principal of or interest on this Note, or for any claim based hereon or on the Ordinance, against any member, officer or employee, past, present, or future, of the City or of any successor body, as such, either directly or through the City or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Note.

All acts, conditions and things required to be done or performed precedent to and in the issuance of this Note or in the creation of the obligation of which this Note is evidence have been done and performed as required by law.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, the City of Scranton, Lackawanna County, Pennsylvania, has caused this Note to be signed in its name and on its behalf by the signatures of the Mayor and Controller of the City and its corporate seal to be hereunder affixed, duly attested by the signature of the City Clerk of the City, as of the 2<sup>nd</sup> day of January, 2019.

CITY OF SCRANTON  
Lackawanna County, Pennsylvania

(SEAL)

By: \_\_\_\_\_  
Mayor

By: \_\_\_\_\_  
Controller

Attest: \_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Solicitor

(END OF NOTE FORM)

EXHIBIT “B” TO ORDINANCE

Proposal



Manufacturers and Traders Trust Company  
Government Banking  
15 South Franklin Street, 7<sup>th</sup> Floor  
Wilkes Barre, PA 18701  
(570) 821-7156 Fax (570) 821-8639  
Email: [rmcgowan@mtb.com](mailto:rmcgowan@mtb.com)  
Ryan McGowan, Vice President

October 22, 2018

Dave Bulzoni  
Business Administrator  
City of Scranton  
340 North Washington Ave.  
Scranton, PA 18509

**RE: 2019 Tax and Revenue Anticipation Note**

Dear Mr. Bulzoni:

Thank you for allowing M&T Bank (the "Bank") the opportunity to provide you a quote for the 2019 Tax and Revenue Anticipation Note for the City of Scranton (the "Borrower").

The attached summary includes only a brief description of the principal terms of the proposed financing.

The definitive terms of the proposed Credit Facilities will be more fully evidenced in commitment letter and additional loan documentation including, but not limited to, a Note together with the other agreements, instruments, certificates and documents that M&T Bank may otherwise require.

The settlement of the proposed Credit Facilities is subject to several conditions. After receiving the City's concurrence, the Bank will seek internal credit approval of the transaction. Upon Bank approval, definitive Note Documents will be prepared. This letter is subject to the statutory and other requirements by which M&T Bank is governed.

1) Amount of Note  
For up to \$12,750,000

2) Term of Note  
Funding-January 2, 2019  
Maturity-On or before December 31, 2019

3) Type of Note  
Tax and Revenue Anticipation Note-Tax-Exempt, Bank Qualified

4) Purpose  
To provide cash flow relief for the City of Scranton during the early parts of 2019.

5) Rate of Interest Per Annum  
The Note shall (subject to the following terms) bear interest on the outstanding principal balance at a tax-exempt rate on a 360-day basis. The interest rate will be equal to the non-bank qualified tax-exempt equivalent fixed rate of the 12 month LIBOR Rate (2.281%) plus 1.369%. Therefore, the fixed interest rate will be 3.650% for the entire duration of the note.

If an Event of Default occurs, the interest rate on the unpaid principal shall immediately be automatically increased to five (5) percentage points per year above the otherwise applicable rate per year, and any judgment entered hereon or otherwise in connection with any suit to collect amounts due hereunder shall bear interest at such default rate.

If interest payable on the note is determined at any point during the term of the loan to not be "Tax-Exempt" or it is determined that the note served as an arbitrage note under Federal Law, the note will reset to its taxable equivalent rate, and the Borrower will pay to the bank the difference between the amount of interest which the bank should have received at the "Taxable Rate" and the actual amount of interest paid. The Borrower will also pay any and all interest and penalties assessed.

6) Repayment Terms

The Borrower will continue to designate Earned Income Tax Collector, Berkeheimer, to remit each business day all of the Earned Income Tax revenues received during the period January 2, 2019 through December 31, 2019 or thereafter until the obligations under the Note are paid in full. Berkeheimer during the term of this Agreement shall remit to the Debt Service Account to be established by the Borrower with the Paying Agent (Community Bank, NA) during the entire duration of the Note.

The Borrower will send sixty percent (60%) of the Earned Income Tax Revenue funds by wire transfer to the Sinking Fund established under the Sinking Fund Agreement and held by the Paying Agent on a daily basis and use a portion to pay down the TRAN by no later than the 5th of every month beginning on March 5, 2019 and continue until the 2019 Tax and Revenue Anticipation Note is paid in full.

7) Security

The Note shall be general credit obligations of the City, and, together with any other tax and revenue anticipation notes issued, or to be issued, by the City during the City's fiscal year ending on December 31, 2019, shall, upon issuance thereof, be equally and ratably secured by a pledge of, security interest in, and a lien and charge on, the taxes and other revenues to be received by the City during the period when the Note is outstanding.

8) Covenants

The Borrower will be required to submit to the bank its financial reports within 180 days from the close of the borrower's fiscal year.

The borrower shall have delivered to M&T Bank, sufficiently in advance of closing, all documentation and other information required by M&T Bank in accordance with all applicable banking laws and regulations in effect from time to time, including, without limitation, the USA PATRIOT Act. Any failure by Borrower or any necessary third party to deliver to M&T Bank, in a timely manner, any material information requested, or any misrepresentation or inaccuracy with respect to any such information received, or if M&T's Bank due diligence reveals that opening the accounts contemplated herein would potentially violate M&T's Bank regulatory compliance policies or applicable law, shall permit M&T Bank, in its sole discretion, to withdraw and/or cancel this financing proposal/offer without liability, and retain all fees.

9) Conditions

The Borrower will provide the approved 2019 budget in a timely fashion to M&T Bank. Any questions or concerns M&T Bank has with the 2019 budget will be addressed prior to the closing.

The Borrower will provide verification the 2018 Tax and Revenue Anticipation is paid in full prior to closing on the 2019 Tax and Revenue Anticipation Note.

10) Deposit Relationship

The Borrower shall agree to maintain a depository account with the Bank while the note is outstanding.

11) Prepayment Privileges

Borrower will have the option to prepay any portion of the outstanding principal of the note outstanding at any time without penalty.

12) Fees and Expenses

The standard review fee will be \$50,000.00 for this financing for the necessary legal documentation associated with the borrowing.

If closing does not take place, all costs and expenses shall be payable upon demand. The borrower agrees to indemnify the bank against any and all claims, which may be incurred in connection with this borrowing.

13) Preparation of Documents

The bank shall be listed as "**Manufacturers and Traders Trust Company**" in all documentation prepared by the borrower's legal counsel and have the following delivered to the Bank at least seven days prior to closing for document review:

- Original Executed Commitment Letter
- Original Executed Tax and Revenue Anticipation Note
- Original Executed Authorizing Resolution
- Original Executed Secretary's Certificate
- Certification of Tax and Revenue to be collected during the term of the note
- Original Executed Legal Opinion Letter as noted
- Internal Revenue Service Form 8038G as required
- Evidence of appropriate DCED filing

14) Acceptance to Advance

The above terms and conditions are intended to serve as an outline which may be negotiated and is intended for discussion purposes.

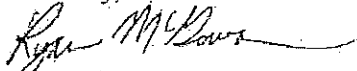
*The above terms and conditions are intended to serve as an outline to support discussions of financing which may be available for the Borrower. This outline is not a commitment or an offer to provide credit accommodations and does not create any obligation on the part of the Bank. This outline is only a brief description of the principal terms of credit facility, which may be available and is intended for discussion purposes only.*

On behalf of Manufacturers and Traders Trust Company, we are pleased to be of assistance to the City of Scranton on the 2019 Tax and Revenue Anticipation Note.

During a turbulent economic period, M&T Bank remains focused on its community banking roots. We recognize the importance to reliability, accuracy, and responsiveness to the City of Scranton. Our commitment to our customers is unwavering during this challenging economic environment.

Should you have any questions, please do not hesitate to contact me at 570-821-7156.

Sincerely,



Ryan McGowan  
Government Banking Division  
Vice President

Please complete the necessary due diligence and seek  
Approval by the Bank:

\_\_\_\_\_  
Signature of Authorized Officer

\_\_\_\_\_  
Title of Signer

\_\_\_\_\_  
Date



DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

October 24, 2018

To the Honorable Council  
Of the City of Scranton  
Municipal Building  
Scranton, PA 18503

RECEIVED

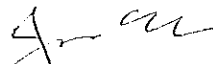
OCT 24 2018

OFFICE OF CITY  
COUNCIL/CITY CLERK

Dear Honorable Council Members:

ATTACHED IS AN ORINANCE AUTHORIZING THE ISSUANCE OF A TAX AND REVENUE ANTICIPATION NOTE, SERIES OF 2019 IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$12,750,000; PROVIDING FOR THE DATED DATE, INTEREST RATE, MATURITY DATE, REDEMPTION PROVISIONS, PAYMENT AND PLACE OF PAYMENT IN RESPECT OF THE NOTE; ACCEPTING THE PROPOSAL ATTACHED HERETO AS EXHIBIT "B" FROM THE FINANCIAL INSTITUTION NAMED THEREIN FOR THE PURCHASE OF THE NOTE; NAMING A SINKING FUND DEPOSITARY/PAYING AGENT; AUTHORIZING THE PROPER OFFICERS OF THE CITY TO EXECUTE AND DELIVER THE NOTE AND CERTAIN OTHER DOCUMENTS AND CERTIFICATES IN CONNECTION THEREWITH; AUTHORIZING AND DIRECTING THE PREPARATION, CERTIFICATION AND FILING OF THE NECESSARY DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT OF THE COMMONWEALTH OF PENNSYLVANIA; SETTING FORTH A FORM OF THE NOTE.

Respectfully,

  
Jessica L. Eskra, Esquire  
City Solicitor

JLE/sl